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The ||| Government and Wool, 1917-20

by

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PREFACE

Wool is a vital necessity to a nation at war. Excessive use of its substitutes in uniform cloth exposes troops to discomfort and disease with accompanying loss of combat effectiveness. The Axis has received a forceful reminder of this fact in its experience with the Russian winter. Not only is wool necessary to a belligerent, but it is necessary in quantities greatly out of proportion to civilian requirements. At any given time, an ordinary citizen has a substantial backlog of clothing and his purchases are on a replacement basis. An army, however, must completely outfit its soldiers and ensure reserves against wastage and the hazards of war at all points in its distributive system.

Per capita consumption for clothing purposes in the United States amounted in 1939 to slightly more than 2 pounds of scoured wool—wool from which the grease, or impurities, has been removed. In contrast, a man inducted into the United States Army at the present time needs in his first year of training the equivalent of 75 pounds of scoured wool. On active duty, in which wastage is much higher, he would require 100 pounds during his first year. On the basis of these figures, it was estimated that if in 1943 the Army numbered 5,750,000 men, of whom two million were inducted during the year, its wool needs would run to 350 million scoured pounds. The immensity of these requirements can be understood when it is considered that in 1941 the United States, one of the leading wool-growing countries in the world, had a total estimated production of only about 210 million scoured pounds.¹

At bottom, the problems in regard to wool faced by the Government during the present conflict are those of World War I, albeit in a different setting. The overriding consideration in each epoch has been the danger of a shortage. The result is that the measures taken in 1941-43 bear a strong resemblance to those of 1917-18. Because in neither war has domestic production been sufficient to satisfy the national requirements, imports have been encouraged and the Government itself has bought in markets abroad. It has been necessary to accumulate another stockpile of wool against the threat of interrupted ocean transport. The restraint of wool prices, the problem of civilian supply, and the possibility of increasing domestic

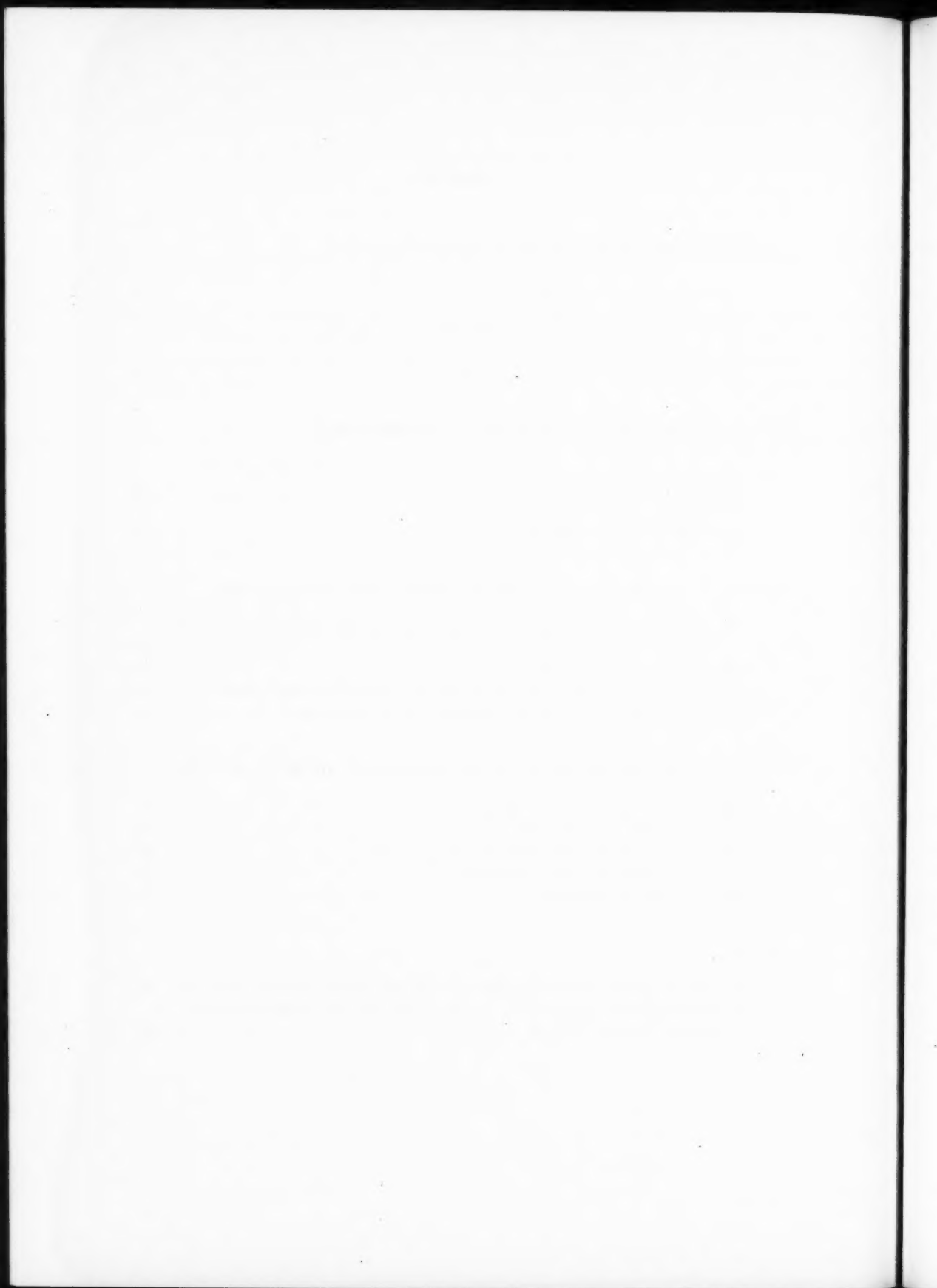
¹U. S. Tariff Commission, *United States Wools*, 20-21 (Washington, 1942). For a comparison of United States production and military requirements during World War I, see U. S. Department of Agriculture, Office of the Secretary, *Circular 93*, p. 6 (Washington, 1918).

production have again claimed official attention. The United States Department of Agriculture has recently announced that it would buy at ceiling prices that part of the current domestic clip which was unsold on April 25, 1943. It is hoped that this program can be extended for the duration of the war and for a suitable period thereafter so that the high level of domestic production may be maintained and the producers protected against a post-war price decline.

Successful demobilization of the industry was also a problem a quarter of a century ago. This study carries the story of the Government and wool through 1917 and 1918 into the post-Armistice period when the disposition of the War Department's hoard of wool was the most important issue of "decontrol." Excursions into the germane fields of British wool control and Allied economic cooperation are necessary to complete the picture. In addition, an attempt has been made to relate the wool situation to the main economic currents of the time.

CONTENTS

	<i>Page</i>
 Chapter 1. PRELIMINARY SURVEY OF THE WOOL INDUSTRY	
World Production of Wool, 1912-20	1
Leading Wool-Producing Countries	3
World Consumption of Wool, 1912-20	5
British Wool Policy, 1914-17	6
The American Wool Industry, 1914-17	7
 Chapter 2. REGULATION OF WOOL, APRIL 1917-MARCH 1918	
The Unrestricted Rise in Wool Prices	9
Initial Government Controls	10
The Supply of Foreign Wool	11
The Import License Option	13
 Chapter 3. THE PERIOD OF GOVERNMENT CONTROL, APRIL-NOVEMBER 1918	
The Purchase of the Dealers' Stocks and of the Domestic Clip of 1918	16
The Administration of Government Control	19
British-American Cooperation in the International Wool Market . .	21
Civilian Supply and the Wool-Manufacturing Industry	23
 Chapter 4. THE DISPOSITION OF THE WAR DEPARTMENT'S STOCKS TO MAY 1920	
The Demobilization of the Industry	27
The Post-Armistice Depression	31
Wool Prices in the Post-War Period	33
The Government Auctions, 1919-20	34
The Collapse of May 1920	36
 APPENDIX	
Prices of Merino and Crossbred Wool, Grease Basis, Boston, 1914-21	38
Prices Received by Farmers for Wool and for all Farm Products, United States, 1914-21	38



Chapter 1

PRELIMINARY SURVEY OF THE WOOL INDUSTRY

WORLD PRODUCTION OF WOOL, 1912-20

During the period of the first World War, no significant quantitative variation occurred in the world's production of wool. Apparently, it was about as large at the end of the era as it was at the beginning. The United States Tariff Commission estimated total world production for 1915 at 2,799 million pounds, and for 1919 at 2,891 million pounds.¹ The conclusion is further borne out by estimates for 10 important wool-producing countries. In 1912, their combined production was 2,113.8 million pounds and in 1920, 1,967.1 million. Their smallest interim production occurred in 1915, amounting to 1,914.1 million pounds.²

The Southern Hemisphere is the chief source of wool for export, containing the two great producing regions of Australasia and Argentina-Uruguay. This fact might be obscured by the ensuing discussion, in which the clips of the British Empire are grouped together. Justification for this procedure lies in the influence the British were able to exercise on the wartime wool trade by virtue of their political affiliations with the Dominions. Before passing to the production of individual countries, however, some attention must be given to the more important qualities of wool, on the basis of which it is separated into numerous grades.

Wool has many qualities which affect its commercial value and the uses to which it is put. Foremost is the diameter of the fiber, commonly known as its "fineness" — which is the chief basis for the classification of wool. There are, and were at the time of the first World War, two systems of classifying wool for fineness. In the United States, the blood system has long been used, although it has not found general favor elsewhere. This system originally measured the amount of blood of the fine-wooled Merino present in the sheep from which the wool came. The count system, the terms of which are employed in most of the producing and consuming countries of the world, utilized the count of yarn into which the wool could be spun, counts being measures of

¹U. S. Tariff Commission, *The Wool-Growing Industry*, 41 (Washington, 1921).

Unless otherwise specified, all quantities of wool given in this study are on a grease basis. "Grease" is the name for the foreign material, such as oil secreted by the animal, dirt, miscellaneous vegetable matter, etc., which occurs in the fleece of a sheep. These impurities are removed by a process of "scouring." The loss in weight of a given lot of grease wool occasioned by scouring is called "shrinkage" and the residual weight, the "yield." Thus, if 100 pounds of greasy wool loses 60 pounds, its shrinkage is 60 percent and its yield 40. United States shorn wools may be 40 to 70 percent grease by weight, the proportion depending on such factors as the habitat of the sheep and the fineness of its wool.

²Herman M. Stoker, *World Production and Prices of Merino and Crossbred Wool*, table 76 (Ph. D. Thesis, Cornell University, 1931).

the fineness of the yarn. The terms of both systems have lost their original significance and now are simply names given to the degrees of fineness of wool. In the following table are exhibited, in descending order, the grades according to the blood system and their equivalents in the count system.

<i>Blood System</i>	<i>Count System</i>
Fine	80s
	70s
	64s
1/2 blood	60s
	58s
3/8 blood	56s
1/4 blood	50s
	48s
Low 1/4 blood	46s
Common	44s
Braid	40s
	36s

Domestic "fine" wools are often divided into two grades. For "territory" wools, or those grown under range conditions, the grades "fine" and "fine medium" are used. During World War I, the terms "XX" and "X" were applied to the corresponding grades of farm, or "fleece," wool. When wool of these grades was of superior length, the terms "fine delaine" and "delaine" were employed instead of XX and X.

Wool is also classified according to its length or "staple." "Combing" wool is employed in the English system of worsted manufacture, in which the shorter lengths are combed out. The shorter or "clothing" wools used in woolen manufacture are adapted to "carding" which interlocks the fibers. Woolen and worsted manufacture together constitute the apparel-wool industry; wools used by either branch are therefore referred to as "apparel" wools, in contradistinction to the "carpet" wools. In practice, many of the fleeces initially designated as clothing may find their way into worsted mills as "French combing" and "baby combing" wool. Wools of combing length usually command a higher price than clothing wools of the same grade.³

Wool is commonly divided into three great classes: "merino," "crossbred," and "carpet." These classes have useful connotations in the industry and can be defined in terms of grades. In addition, they are descriptive of the total production of a region. Crossbred, for instance, was originally used to designate wool from a sheep, one of whose parents, at least, was of a mutton breed. It is now also applied to wool from purebred English sheep as the fleece falls in those grades usually known as crossbred.

³For details on the classification of wool, see Alston H. Garside, *Wool and the Wool Trade*, ch. 4 (New York, 1939); and *The Wool-Growing Industry*, 215-222.

A region furnishing a preponderance of crossbred wool, therefore, is likely to be one in which the greater part of the sheepman's income is derived from mutton. Merino wool comprises the grades finer than 3/8 blood, that is, 58s or above. The crossbred grades are those from 56s to 44s or 40s, whereas carpet wool grades 40s and below.

During the years of the first World War, the production of merino wool showed a decided decline in the principal sheep-raising countries. At the same time, the supply of crossbred wool rose appreciably. Production of merino wool in 10 leading wool-growing countries began tending downward in 1911, amounting to 1,150 million pounds in 1912 and to only 850 million 8 years later. Crossbred wool, meanwhile, rose from 963 to 1,118 million pounds. The displacement of merino by crossbred wool was most noticeable in Australia, Uruguay, and the United States. In 1912, the Australian clip contained 596 million pounds of merino wool; in 1920, it contained only 428 million. In Uruguay, merino production fell from 106 million to 19 million pounds in the same period. Similarly, in the domestic clip of the United States, the total merino wool was 189 million pounds in 1912 and only 126 million in 1920. South Africa was the only prominent merino-producing region where fine wools held their own. The uniform cloth used by the Allies and the United States in World War I called for wool of the crossbred grades. From the military point of view, therefore, New Zealand and South America were more important than South Africa or Australia. The British Government, in embarking upon the purchase of the Australasian wools, at first attempted to buy only the crossbred grades. After the war, however, for a number of reasons, wool manufacture centered in fine-wool textiles, and the deficiency in the production of merino grew in significance. It was one of the causes for the very high prices for fine wools which prevailed during 1919 and the first half of 1920.⁴

LEADING WOOL-PRODUCING COUNTRIES

The importance of the British Empire in the wool industry is evident from the fact that, in 1919, out of a total world production of 2,891 million pounds, it contributed 1,177 million.⁵ Whereas a large part of the remainder of the world's production is consumed locally, the great export clips of Australia, New Zealand, and South Africa have played a significant role in the international wool trade. The United Kingdom itself produced, on an average, 125 million pounds of wool annually during the period of World War I and is an outstanding example of a country in which sheep raising has continued to flourish in the midst of intensive agriculture. The class of wool grown in Great Britain is almost exclusively crossbred; sheep are kept primarily for the production of mutton and the fertilization of the land. Far-off New Zealand resembles the mother country in these respects. In 1919, New Zealand produced 233 million pounds of wool, of which only 8 million were merino. Australia has been the largest single producer of wool in the world and has been especially famous for its fine wools. Its annual clip amounted to between 625 and 760 million pounds from 1912 to 1920 and furnished more merino than crossbred. In the Union of South Africa, the average

⁴Stoker, *World Production and Prices of Merino and Crossbred Wool*, 182-189, and tables 77 and 78.

⁵*The Wool-Growing Industry*, 41. Estimates of production for individual countries, except the United States, are from Stoker, *World Production and Prices of Merino and Crossbred Wool*, table 76. Discrepancies occur between the Tariff Commission's estimates and those of Stoker, which were made a decade later. The Department of Agriculture has also revised its estimates of United States production for this period.

wartime production was about 180 million pounds, almost entirely fine wool. Smaller quantities of apparel wool are grown in Canada and in the Falkland Islands, and India contributes considerable wool of the carpet variety.

In South America, Argentina and Uruguay are the leading wool-growing countries, although Chile and Brazil also have a considerable number of sheep. The Argentine clip amounted to 288 million pounds in 1912 and to 327 million in 1920. The great bulk of this wool was crossbred. The industry in Uruguay underwent a liquidation after 1910, wool production declining from 157 million pounds in 1911 to 46 million in 1915, and increasing, rather unaccountably, to 116 million pounds in 1918. In the readjustment of these years, Uruguay's clip became predominantly crossbred. Montevideo and Buenos Aires handle large quantities of wool and are often referred to as the Rio Plata markets. The importance of the Rio Plata as a source of crossbred wool and as the chief open market during the war led to plans by the United States and the Allies designed to keep its prices at a reasonable level.

Production of wool in the United States showed no definite trend during the war period. The clip of 1913 was slightly larger than that of 1920, but the greatest production occurred in 1919. In the 4 years, 1917-20, the fluctuations in domestic production did not greatly affect domestic prices which, in the matter of supply, were determined by the availability of foreign wools.

*Production of wool in the United States,
and average farm price, 1913-20⁶*

YEAR	PRODUCTION	AVERAGE FARM PRICE ⁷
	1,000 pounds	Cents per pound
1913	309,388	16.7
1914	293,621	16.6
1915	281,175	22.1
1916	287,637	26.1
1917	276,914	41.6
1918	295,933	57.7
1919	318,391	49.5
1920	293,788	45.5

When the United States entered the war, the Federal and State governments, as well as many private agencies, undertook to encourage wool production. States passed more stringent laws to protect flocks from sheep-killing dogs and hired specialists to aid county agents in promoting sheep husbandry. The Department of Agriculture considered

⁶Compiled from U. S. Agricultural Marketing Administration, *Livestock, Meats, and Wool Market Statistics and Related Data 1941* (Washington, 1942).

⁷Annual State averages weighted by sales. These are grease prices. Most wool in the United States is sold in a greasy condition and a price per pound is quoted which applies to the actual weight of the wool as presented, that is, the "grease weight." The buyer must be able to estimate the shrinkage of the lot, as its value lies in the clean fiber. He pays a "grease price" for each pound of the grease wool; a "scoured basis" or "clean" price is calculated from the grease price and constitutes the amount paid for each pound of the scoured wool which will remain after the grease wool has been cleansed. Because of scouring costs, prices of wool already scoured, on the other hand, are higher than the clean price of grease wool, all things being equal.

that an expansion of the sheep population was feasible upon farms generally, in the rougher lands of the Appalachian region, and in the cut-over country of Wisconsin, Minnesota, and Michigan. It took steps to aid the distribution of western ewes upon farms; in this work the National Sheep and Wool Bureau of Chicago and the Philadelphia Wool and Textile Association were also active. In the summer and fall of 1917, a movement took shape to restrict the slaughter, sale, and consumption of lamb as a means of increasing the Nation's wool supply. The chief proponents seem to have been butchers, retailers of meat, and the operators of hotels and restaurants. The Food Administration became entangled in the crusade. In response to protests from the National Wool Growers Association and other organizations representing sheepmen, the Food Administration and the Department of Agriculture later issued a joint disavowal of the movement and emphasized that the marketing of lambs was an important conservation measure.⁸

In view of the level of prices from 1914 to 1920, it is rather remarkable that the production of wool did not increase. Lack of faith in the continuation of the high wartime prices, together with the prejudice many farmers entertain against sheep, was undoubtedly a deterrent. Encroachment upon the range by homesteaders was also a factor. The Department of Agriculture was of the opinion that the West had reached its zenith in livestock production and saw in the farm flock the principal source of any increase in the production of domestic wool. The fact that the clip amounted to 318 million pounds in 1919, as against 296 million in the previous year, would argue that price and education were not without some effect. However, it remains true, that, short of drastic measures, domestic production cannot be sufficiently increased in 2 or 3 years to bolster greatly the Nation's wool position in a major war.⁹

WORLD CONSUMPTION OF WOOL, 1912-20

Although the more important regions producing wool for export are in the Southern Hemisphere, the leading wool-consuming centers are in the Northern. In pre-war Europe, Great Britain led in the manufacture of wool, its consumption averaging about 550 million pounds annually. In 1913, imports into Great Britain totaled 800 million pounds, of which 306 million were reexported. The commanding influence of Britain in the wool industry was attested by the London auctions in Coleman Street, which affected prices throughout the world, although their influence was somewhat lessened by auctions in Australia. Similarly, Liverpool was an important market for carpet wools. Germany was rapidly forging to the front in the years before the war; in 1912, its exports of wool manufactures stood second only to those of Great Britain. The extensive wool-manufacturing machinery of Belgium and a good part of the French fell into German hands early in the war and was thereafter subject to the British blockade. The mills in England were, consequently, forced to supply the French Army with a large part of its wool clothing. France, Germany, and Belgium were ordinarily heavy customers for

⁸U. S. Food Administration Records, Press Release 136, Aug. 1, 1917, and Conference of Federal Food Administrators, Jan. 9, 1918, 24H-B6 11409, in National Archives; Roscoe Wood, "Would not Slaughter Ewe Lambs," *National Wool Grower*, June 1917, p. 20-21; J. E. Poole, "Hurting the Sheep Business," *ibid.*, August, 17-18; *ibid.*, 35; *ibid.*, September cover; *ibid.*, January 1918, p. 25; Joseph P. Cotton, "The Live Stock Situation as It Exists Today," *Butchers' Advocate*, Jan. 30, 1918, p. 12; *American Sheep Breeder and Wool Grower*, 37:406-408 (July 1917); A. C. Bigelow, "The Sheep Industry of the United States," *American Academy of Political and Social Science, Annals*, 74:191-197 (November 1917); U. S. Department of Agriculture, Office of the Secretary, *Circular 93* (Washington, 1918).

⁹*Ibid.*

South American crossbreds, Antwerp reexporting considerable quantities to Germany, but as the war went on the United States became the chief purchaser in the Rio Plata markets. Japan was expanding its wool manufacture during the war, supplying itself with raw material from Australia and, later, from South Africa. By 1920, American manufacturers had become anxious about Japanese competition.

Manufacture of wool in the United States is largely concentrated in New England and the Middle Atlantic States, with Boston and Philadelphia the most prominent wool markets. Leading ports of entry during the war years were Boston, New York, Philadelphia, and San Francisco, the last receiving considerable wool directly from Australia and New Zealand. Estimated consumption of wool in the United States in 1913, including that of carpet wool, was 448 million pounds; this figure was greatly surpassed in the next few years. On December 1, 1913, the schedules of the Underwood Tariff Act went into effect, carrying a radical reduction of the duties on wool manufactures and allowing the raw material free entry. Anticipation of tariff revision caused a decline in the prices of raw wool, except carpet grades, during 1913. The effect of the law was obscured by the war. However, at the Armistice, a flood of imports, both of wool and its manufactures, was anticipated and the absence of tariff protection strengthened the demand for embargoes upon foreign products.¹⁰

BRITISH WOOL POLICY, 1914-17

When the United States declared war in April 1917, the Government was confronted with a highly developed situation in regard to many "strategic" raw materials. By that time, the conflict had been raging abroad for two and a half years with significant economic reverberations in the United States. Particularly was this true in respect of wool, a commodity upon which one of the belligerents, Great Britain, was able to bring to bear far-reaching controls. The importance of British wool policy makes advisable a rapid survey of its outstanding features.

Inauguration of hostilities in the summer of 1914 resulted in an over-accumulation of wool in Great Britain as the export of yarn and raw material to Germany and the Continent ceased. Prices declined until French and Russian orders were placed with British mills. The Government's policy, as might be expected, aimed to ensure a sufficiency of wool for military purposes in the islands and to prevent supplies from reaching the Central Powers. Restrictions were therefore placed in 1914 on exportations from Great Britain and the colonies; these were relaxed or extended as conditions dictated. In August and September of 1915, for instance, wool was piling up in England and licenses were freely issued for its shipment abroad. However, expanded military consumption, increased purchasing by civilians, and the rate of exports, especially to France, ate into reserves to the point where early in 1916 a shortage loomed. Meanwhile, in requisitioning the output of mills, the advisability of controlling the raw material became evident.

The initial step was the purchase of the entire 1916 domestic clip in May of that year, at prices 35 percent above those of July 1914. Far more important was the purchase of the clips of Australia and New Zealand. At first, the British intended to

¹⁰The Wool-Growing Industry, 49-76; Katharine Snodgrass, "Prices of Wool and Wool Products," U. S. War Industries Board, *Price Bulletin* 24, p. 4-5, 7 (Washington, 1919).

buy only the crossbred wools, but, after consultation with the Dominions, all of the wool was taken. Negotiations were completed in November 1916; the price was agreed on as 55 percent above that received by the growers in 1913-14 and averaged 15-1/2d., or 31 cents per greasy pound f.o.b. Australia. Profits of resale for other than military purposes were to be shared by the three governments. The British continued their purchases into the post-war period, eventually obligating themselves to buy the clips for the duration of the conflict and for one year thereafter. This contract protected the growers who, by late 1916, were faced with the possibility that their wools might not be exportable because there were no ships to carry them. Moreover, the purchases bolstered the wartime economy of the Antipodes, for as Sir Arthur Goldfinch, later head of the British-Australian Wool Realisation Association, put it, "The whole fabric of trade and finance in those Dominions depended on their wool being paid for as soon as it reached port."¹¹

If the purchase of the Australasian clips was an important event for the growers of the two countries, it exercised a commensurate influence upon the international wool trade. The British Government later took possession of all wool in the United Kingdom except that held by manufacturers; it purchased the clip of the Falkland Islands and part of that of Iceland, and assumed the distribution of Indian carpet wool; finally, it required all imports into England to be offered for sale to the Government. Wool was issued to manufacturers at prices which reflected the comparatively reasonable figures obtained in these purchases. Two bases were employed, a military issue price for war contracts and a civil issue price that was 20 percent higher. The civil issue price was raised 10 percent in December 1917, but otherwise these bases continued through the Armistice. As a result, after 1916, the British market was noncompetitive and the initial advantage of English manufacturers grew as wool prices soared in the world's free markets, especially after the United States became a belligerent. This fact exerted considerable influence on official and private thinking in the United States. It was suspected that the great stocks of cheap wool, which subsequently accumulated in Australia, were intended as a guarantee of successful English post-war textile competition.¹²

THE AMERICAN WOOL INDUSTRY, 1914-17

In the United States, events in the wool industry from the outbreak of the war to American participation divide themselves into two periods. The first, in which something like "normal" conditions obtained, extended until the fall of 1916. In the second, wool rapidly became responsive to war pressures. The rise in wool prices as compared with the "all commodities" index over the period leads to the conclusion that wool was affected more than most commodities by the disturbing economic currents of the time.

From the beginning of the war to the fall of 1916, wool prices rose moderately. The apprehensions in regard to the influence of the Underwood Tariff were dispelled by the belligerency of the principal cloth-exporting nations. In effect, the industry in the United States enjoyed a protected status throughout the war. In addition, foreign

¹¹London Times, Apr. 29, 1924.

¹²The Wool-Growing Industry, 59-63; Arthur H. Cole, English Experience with regard to Wool, in War Industries Board Records, 21A-A4 2880, in National Archives; Snodgrass, "Prices of Wool and Wool Products," 5-7.

contracts began to be placed in this country; the value of American exports of wool manufactures rose from \$3,800,000 in 1914 to \$52,700,000 in 1916. The fact that supplies of foreign wool were plentiful exercised a restraint on prices. United States imports of wool increased rapidly and American buying became an important factor in wool markets abroad. Imports of apparel wool, less reexports, amounted to 61 million pounds in 1913; in the next 3 years they totaled 166, 307, and 364 million, respectively. The large American purchases in Australia irritated the British Government. Not only were prices raised thereby, but the possibility existed that some of the wool might find its way to the Central Powers. The result was the imposition of recurrent embargoes on Australasian wool. Early in 1915, the Textile Alliance, which originally had been formed to correct abuses in the sale of mill supplies, entered into negotiations and obtained the discontinuance of these restrictions by guaranteeing that no British Empire wools brought into the United States would be reexported in any form. Imports from Australia rose from 29 million pounds in 1914 to 102 million in 1915 and 115 million in the next year. With the onset of war prosperity a healthy civilian demand came into being; by the end of 1916 the industry in the United States was practically at capacity.¹³

Many factors combined to turn the steady rise in wool prices of 1914 to mid-1916 into a steep climb that continued until the United States entered the war and, in fact, did not abate until pressure from the Government intervened in mid-1917. Civilian demand waxed with the pay rolls in munitions and other plants. The Quartermaster General began to enter the market for military cloth in the summer of 1916. The greatest influence, however, was wielded by the precariousness of ocean transport, the increasing friction between the United States and the German Government, and the British purchase of the Australasian wools. When it was learned that none of the Australian wools would be allowed to come to the United States, the effect on the trade was immediate. An important source of supply had been removed and the finer Australian merinos could not be replaced.¹⁴

A speculative movement set in on domestic markets. The steepness of the rise in prices at Easton from November 1916 to April 1917 can be illustrated by monthly quotations for Ohio fine delaine and Kentucky and Indiana 1/4 blood, grease basis: delaine, 38, 42, 45, 48, 50, and 53 cents; 1/4 blood, 44, 53, 48, 53, 57, and 58 cents.¹⁵ Dealers indulged in recurrent bursts of speculative buying as "warlike" developments took place in Washington; their fever recalled the days of the Civil War. Manufacturers were aware that large Government contracts were in the offing. In the range country, wools which had been contracted, despite a rising market, in 1916 were increasingly held until shearing or for consignment. The excitement and confusion were abetted by uncertainty as to the Government's intentions; rumor circulated that a commandeering was forthcoming. In short, a great part of the price rise in raw wool took place before the United States entered the war, and, in April 1917, the Government was faced with a runaway wool market.¹⁶

¹³*Ibid.*, 8-11; U. S. Bureau of Agricultural Economics, *Wool: The World War and the 1939 European War*, 6 (Washington, 1939); *The Wool-Growing Industry*, 76-79; U. S. Department of Agriculture, *Agricultural Statistics 1942*, p. 431 (Washington, 1942); "Textile Alliance and Wool Imports," *Textile World Journal*, Jan. 15, 1916, p. 50, 134.

¹⁴Paul Willard Garrett, "Government Control Over Prices," U. S. War Industries Board, *Price Bulletin 3*, p. 310 note (Washington, 1920); U. S. Bureau of Labor Statistics, *The Effect upon the Civilian Market of the Wartime Control of Wool and Wool Products*, 5 (Washington, 1941).

¹⁵All monthly quotations for domestic wools in this study are from National Association of Wool Manufacturers, *Bulletin*, 53:417-430 (July 1923).

¹⁶*National Wool Grower*, February 1917, p. 25-26, March 1917, p. 25-27, April 1917, p. 35-37.

Chapter 2

REGULATION OF WOOL, APRIL 1917-MARCH 1918

THE UNRESTRICTED RISE IN WOOL PRICES

The United States had not yet entered the war when the Government was presented with an opportunity to buy wool for military purposes. On the second of April, the Boston Wool Trade Association offered its entire holdings at the prices obtaining on that day. The dealers of New York, Philadelphia, Chicago, and other cities immediately followed suit. As trading on the various markets was suspended while the offer was being considered, the Government was pressed for an early decision. The Secretary of War turned the proposal over to the General Munitions Board, which had been constituted to coordinate the purchasing of the War and Navy Departments. The Board consulted men in the industry, including representatives of the National Wool Growers Association who indicated that the producers were also willing to reserve their wools for Government use. On April 10, the Board was warned by the Textile Alliance that there might not be enough cloth in the country for both civilian and military needs, and some of its members were inclined to accept the offer of the dealers. However, the fact that the Quartermaster Corps had succeeded in placing a large part of its orders for woollen supplies was taken as evidence that the situation was not serious. In the end, on April 13, all offers were declined with thanks.

Subsequently, after the price of wool began to soar, there was much criticism of the failure to buy wool in April. Apart from the success of the Quartermaster Corps in placing orders for cloth, the General Munitions Board was apparently influenced by the fear that such a purchase would enhance the price of wool by underlining the gravity of the situation and causing a scramble for the wool that was not taken by the Government. In addition, it was pointed out that only 15 percent of the wool offered by the dealers was suitable for uniform cloth. Evidently, the hope was that prices would recede if the Government did not immediately enter the market and that, if necessary, wool could later be bought on a more favorable basis. As to price fixing, the Advisory Commission of the Council of National Defense was reported to favor such action only in cases where speculation was rife; the *National Wool Grower*, the organ of the National Wool Growers Association, indicated that the Commission was proceeding on the theory that prices of strategic materials such as wool must be high because of pre-war conditions and the desirability of calling forth adequate supplies.¹

When trading was resumed in the markets, prices advanced steeply until August, at which time Government action headed off the rise. The extent of the increase from

¹Minutes of the General Munitions Board, Apr. 11-13, 1917, in National Archives; Paul Willard Garrett, "Government Control Over Prices," U. S. War Industries Board, *Price Bulletin* 3, p. 310-312 (Washington, 1920); U. S. Congress, 65th, 2nd Session, Senate Committee on Military Affairs, *Investigation of the War Department*, 1008-1009, 1025, 1029 (Washington, 1918); *National Wool Grower*, April 1917, p. 33; Frank J. Hagenbarth, "Statement on Fixing Wool Prices," *ibid.*, May, 21-22.

April to August 1917 is evident in the monthly quotations for Ohio fine delaine and Kentucky-Indiana 1/4 blood, grease basis: delaine, 53, 55, 70, 73, and 74 cents; 1/4 blood, 58, 60, 73, 75, and 76 cents. Speculation, based on the Government's need for wool, was the chief factor in the advance. In May, rumor of a 10-percent wartime duty on raw wool sent dealers and manufacturers scrambling for South American fleeces. The Quartermaster Corps was forced to abandon the specification of 3/8 blood wool for its uniforms because of a shortage of that grade. Speculation was moderated in June by fear of action in the direction of price fixing. Reports circulated that the Government might import the cheaper Australian wool for apportionment to contractors at fixed prices. Moreover, the possibility existed that Congress might add controls over clothing to those being debated for food and fuel.²

INITIAL GOVERNMENT CONTROLS

The first definite check on the market was the announcement in July that the Navy Department had bought wool suitable for its uniforms which it would issue to manufacturers unable to find reasonably priced wool elsewhere. The purchase was under the direction of Jacob Brown, a Boston dealer working with the Council of National Defense. Three to four million pounds were obtained and the transaction had a beneficial effect on the terms of the Navy Department's contracts. Previously, both the War and Navy Departments had found that bids submitted were higher than the current price of raw wool justified simply because the market was rising so fast that the manufacturer, who usually did not buy wool until an award was made, was forced to allow for a likely increase in the price of his raw material.³

The Committee on Supplies of the Council of National Defense, which at that time was virtually the contracting agent for the Army's uniform cloth, recommended that the War Department emulate the Navy's purchase. The Quartermaster General ascertained that he had authority to buy wool in the terms of the War Department's appropriation act for the fiscal year 1918. Jacob Brown was made chairman of a Committee on Wool Supply and the sum of \$25,000,000 was set aside for the buying of wool. On July 30, Brown obtained from the Boston Wool Trade Association an option on one-half its stocks at the prices current on that date. The committee operated 10 weeks on the Boston market, buying between five and six million pounds of wool which was offered by sample and valued in bulk by experts. The War Department sent Captain W. B. Gracie to Boston, with the title of Wool Purchasing Quartermaster, to pay for and hold its wool.⁴

Several important results flowed from the activity of the Committee on Wool Supply. The immediate effect of its buying was to stabilize the market for several months. Information as to the amount, price, and ultimate disposition of the purchase was not revealed. Instead, the wool was held throughout 1917 as a club over the market. Although the committee withdrew from the market in October, it had funds to recommence its purchasing if prices dropped. Dealers were chary of operating at prices above those of July 30 and these became in effect an unofficial ceiling. When, in April 1918, the

²*Ibid.*, 19-20, June, 17-19, July, 21-23.

³*Ibid.*, August, 25-27; Albert W. Elliott, *A Brief History of Wool Control in the United States and the Administration of It by the War Department*, 1-2 (Washington, U. S. Tariff Commission, 1939).

⁴*Ibid.*, 2-4; *Investigation of the War Department*, 1013.

Government decided to take over most of the wool in the country, the detailed schedules of July 30, 1917, which were prepared by the committee, were the basis for the prices paid to growers and dealers. Consequently, they were also the basis on which the War Department issued its wool to contractors.⁵

From August 1917 until the Armistice, the price of wool was relatively stable. A moderate advance occurred between August 1917 and April 1918, but after the latter date there was no free market and the War Department was issuing wool at approximately the price level of the previous summer. The prices of July 30, 1917 were almost the highest reached during the period of the war. This was particularly true for the cross-bred wools. However, merinos were to rise to record heights in 1919 and early 1920. Although the general price rise which occurred during World War I was largely traceable to credit inflation, a process aided by the Treasury's fiscal policies, the rise in wool prices must be read as a function of shortage in the face of a healthy civilian demand and the emergency needs of the Army. By April 1917, the "all commodities" index had risen 72 percent from a 1913 base; in the same month, scoured Ohio fine wool stood 96 percent above the 1913 level. At this juncture, the Quartermaster Corps began to let contracts for immense quantities of woollen goods. The intervention of military demand resulted in a steep climb in prices, as shown above. Scoured Ohio fine wool was 177 percent above the prices of the base year by August 1917, when the Government began to take a hand in the market, whereas the all commodities index had risen to only 85 percent above the prices of 1913. After August 1917, the advance in wool prices was largely checked by Government action or, what may have been as effective, the fear of Government action. If the market had been completely untrammelled in 1917 and 1918, prices would have gone to much higher levels, for there was no corresponding increase in supply to counteract the active civilian demand and the sudden military emergency. The domestic clip was almost stationary whereas imports in 1917 were less than those of the previous year and were expanded only moderately in 1918.⁶

THE SUPPLY OF FOREIGN WOOL

Shortly after the clips of Australia and New Zealand had been taken over and shipments from the Antipodes to the United States cut off, the Boston Wool Trade Association entered into negotiations with the British Government for an allotment of Australian wools. In January 1917, the British agreed to release 50,000 bales for the use of American mills, but no action was taken to implement the promise. However, with the entry of the United States into the war, Australasian wools were theoretically once again available. They were looked upon as a means of securing enough wool for the contracts of the War Department and, consequently, of restraining domestic prices. Recommendations to approach the British Government had been made at the time the offer of the wool trade was being considered and such action was then regarded as an alternative to the acceptance of the offer.

In June 1917, the Bureau of Foreign and Domestic Commerce was authorized to begin conversations with the British Embassy in Washington. The next month,

⁵ *Ibid.*, 1019; Elliott, *Brief History*, 6-7; *National Wool Grower*, September 1917, p. 25-26, October 1917, p. 19; War Trade Board Records, Bureau of Imports, General Correspondence, binder "Wool Textiles," in National Archives.

⁶ *Wholesale Prices: 1890 to 1919*, U. S. Bureau of Labor Statistics, *Bulletin* 269, p. 19, 95 (Washington, 1920).

Albert M. Patterson, president of the Textile Alliance, was sent to England. With Charles W. Bigelow, a Boston wool expert who had been appointed commercial attache in London, he endeavored to persuade the British to give the United States access to the Australasian wools. At first, the mission was unsuccessful as the British pleaded a wool shortage in the British Isles. According to Patterson, however, the basic reason was political. Mills in England were running on short time, labor was restive, and the Government apparently faced criticism if Australasian wools were allowed the United States. In September, Bigelow took up the matter with Sir Arthur Goldfinch, then head of the Army contract division of the War Office. Within 3 days the British reversed their stand; confirmation of the agreement followed early in October.⁷

In all, about 270,000 bales of apparel wool were to come from different parts of the British Empire. No crossbreds could be spared as they were badly needed by the British, French, and Italians. At the British civil issue prices, the War Department received 200,000 bales of merino wool, for which it had to furnish shipping. Preliminary arrangements for bottoms were made by the Committee on Wool Supply, but the War Trade Board assumed the task in December 1917. As merino was not used in the Army's uniforms, plans were later developed to sell the wool at auction. It was hoped that the allotment would help to dispel the current fears of a scarcity. The Navy Department obtained 25,000 bales of merino, which could be used in the manufacture of its uniforms. On their own account, the British planned to sell 65,000 bales, including 20,000 of Indian carpet wool, at auction in Boston, in fulfillment of the pledge given the Boston Wool Trade Association. When the War Department assumed control of the Nation's wool supply in the spring of 1918, it took over the unsold portion of the British Government's wool. Because of administrative delays and the scarcity of tonnage, however, none of the wools covered by the agreement with the British came forward during 1917 and the allotment had no influence on domestic prices. Total importations from Australia and New Zealand during the calendar year 1917 were less than 8 million pounds.⁸

The dearth of supply from Australia and New Zealand was offset by increased shipments from South America, especially from Argentina. In 1916, there had been imported from Australia into the United States 115 million pounds of wool and from New Zealand 16 million. To fill the gap in stocks in the United States caused by the almost complete stoppage of imports from the Antipodes, Argentina sent 211 million pounds in 1917 as against 151 million in 1916; Uruguay's contribution similarly rose, from 12 to 37 million pounds. It was obvious that the level of prices in the United States would be greatly influenced by the magnitude and price of imports from South America, especially since they were the main source of the crossbred wools used in Army uniforms. The chief disturbing factor in the Rio Plata was the competition among United States and Allied buyers. Moreover, German houses in the Argentine endeavored to increase Allied difficulties, not only by buying up wool and storing it but by sending representatives through the country to take options at exorbitant prices, afterwards allowing them to lapse. Various plans were considered in the United States to remedy

⁷Garrett, "Government Control Over Prices," 311, 312 and note; *Textile World Journal*, Jan. 12, 1918, p. 289; *Investigation of the War Department*, 1015-1016; Bureau of Imports, General Correspondence, binder "Wool Textiles."

⁸*Ibid.*; Bigelow to Goldfinch, Mar. 21, 1918, War Industries Board Records, 21A-A4 2813, in National Archives; *National Wool Grower*, November 1917, p. 19; Elliott, *Brief History*, 4.

this situation. In June 1917, the Bureau of Foreign and Domestic Commerce, of which E. E. Pratt was then chief, began conferences with the British Embassy, the War Department, and the Textile Alliance, represented by A. M. Patterson.

Pratt considered that the flow of wool from South America could be controlled by Anglo-American maritime supremacy and that hoarding could be reduced by the cooperation of banks and insurance companies. He also envisaged priority authority over wools in the United States, to be established by requiring shipments of South American wools to the Textile Alliance. At that time, the British were more interested in some sort of joint purchase. They were also willing to leave the South American markets to the United States and to exchange Australasian for South American wool, avoiding the long haul from the far-off Dominions. Whatever the reason, plans were not perfected in time to affect the marketing of the South American clip, which occurred with a considerable advance in prices. Patterson, writing in May 1918, declared that if the British plans for a joint purchase had been adopted in 1917, the South American clip could have been cheaply acquired and the price rise in the United States, as well as subsequent Government controls, could have been avoided.⁹

THE IMPORT LICENSE OPTION

In late October 1917, speculation, which had been abated by the purchasing of the Committee on Wool Supply, began again on domestic markets, especially in South American wools. The War Department's stocks were not being offered to manufacturers and when contracts were contemporaneously given out an upward swing in prices resulted. At the same time, the shipping shortage was such that American buying was the most important factor in the South American market. In the War Trade Board, formed October 12, 1917, plans were therefore matured to control the situation by licensing the importation of wool. First, however, the Committee on Wool Supply attempted to relieve the speculation by voluntary action on the part of the wool dealers. The Boston trade was requested to discontinue sales between dealers and early in November Jacob Brown suggested that the members of the Boston Wool Trade Association give the Government an option on their future importations at the prices of July 30. The suggestion was referred to a committee of the trade which deliberated at length and finally reported out an unacceptable counterproposal: an option on a cost-plus basis.¹⁰

On November 27, 1917, the War Trade Board included wool in the first list of basic raw materials for which import licenses were required. On December 15, the Board announced that no licenses to import wool would be granted unless the applicant gave the Government, for a period of 10 days after arrival and as long as the wool remained unsold, an option at 5 percent less than the prices of July 30, 1917. In addition, the Board ruled that no wool could be sold to other than a manufacturer without its approval. The import license option, at the time, was aimed at both the South American and domestic markets, but it was not expected that the Government would actually buy wool for the use of the military. In the announcement of the regulations the speculation of the wool dealers was condemned, the War Trade Board "earnestly" appealing to "wool importers

⁹*Ibid.*, 5; Bureau of Imports, General Correspondence, folders "Wool" and "Government Purchase - Wool - South America;" *Investigation of the War Department*, 1015-1016.

¹⁰Elliott, *Brief History*, 5-6; *National Wool Grower*, November 1917, p. 19-20, December 1917, p. 31-32.

and to manufacturers . . . so to conduct their transactions . . . that further speculation, hoarding, and the continuation of factitious prices may be avoided." The Board asserted that the great rise in wool prices had come without any present or anticipated shortage. Commenting upon the Board's action, the *Textile World Journal* maintained that there was a real shortage of medium and low crossbreds and that the Board was in a position to know it. On January 11, 1918, the Board issued somewhat amended regulations which gave it extensive controls over the distribution of both foreign and domestic wool.¹¹

The wool trade was dismayed at the rulings of the War Trade Board. Especially distasteful to the smaller houses, which ordinarily bought from other dealers to replenish their stocks, was the prohibition of sales of either foreign or domestic wools without the Board's sanction. In February 1918, a committee of the trade entered into correspondence with Clarence M. Woolley, vice-chairman of the Board. While asking reconsideration of certain details of the orders, the committee suggested by implication that the Government relinquish its import control. Woolley recognized the implication and let it be known that the policy would not be reversed. The effect of the import license option was warmly debated; many dealers believed that the importation of South American wools might be discouraged. However, prices in South America were moderated because American importers withdrew from the market until its level permitted profitable operations and the War Trade Board reported in February that as much wool was being brought from the Rio Plata as the shipping space allowed. In the United States, speculation came to a dead halt.¹² In fact, by the middle of January 1918, Jacob Brown considered the domestic market so stabilized by the action of the War Trade Board that the Army's stock of wool need no longer be held. He recommended, however, its disposal by long-drawn-out sales, as thereby manufacturers could hold competing dealers to the War Department's prices. The wool was sold to contractors during March on the basis of the schedules of July 30, 1917. Since some lots had originally been bought at less than July market prices, the transaction netted the Government a profit of about \$150,000.¹³

On February 27, 1918, Acting Quartermaster General Goethals announced that thereafter the Government would exercise the import license option on certain grades of wool, 44s to 56s, comprising the bulk of the imports since December 15. The wool trade, which had not expected the Government to exercise its option, was startled. The reason given for the action was that the weights of some military fabrics were to be increased, entailing a greater consumption of wool. The weight of the all-wool uniform cloth, formerly 16 ounces to the yard, was to be increased to 20 ounces; similarly, the overcoat specifications called for 32-ounce material instead of the 30-ounce material then in use. With the appropriate grades of imported wool in its possession, the War Department believed that moderate prices could be arranged in its contracts. Charles J. Nichols, a Boston dealer, was appointed Wool Administrator to superintend the transfer of the wools; he was aided by valuation committees composed equally of Government and trade experts. Captain Gracie, the Wool Purchasing Quartermaster, who had been in

¹¹U. S. War Trade Board, *Journal*, Jan. 8, 1918, p. 6-7, Feb. 1, 1918, p. 5; *Textile World Journal*, Dec. 22, 1917, p. 14; Katharine Snodgrass, "Prices of Wool and Wool Products," U. S. War Industries Board, *Price Bulletin* 24, p. 12 (Washington, 1919).

¹²*Ibid.*, 13; *National Wool Grower*, January 1918, p. 44-46, March 1918, p. 22-23; Elliott, *Brief History*, 8-9.

¹³*Ibid.*, 7; Records of the Quartermaster General's Office, 423, folder "Jacob F. Brown," in National Archives.

Boston since August 1917 in charge of the stocks bought under the direction of the Committee on Wool Supply, was instructed to accept and pay for the wool.

Despite the War Department's partial exercise of the import license option it was still possible to buy round lots in South America because domestic prices for grades not then required by the Acting Quartermaster General were considerably above the prices at which the Government could take them under the option. Thus 44s to 56s were delivered to the Government and the other wools sold at a good profit. This arrangement, of course, depended upon the assurance that the Government would not suddenly exercise its option on the finer and lower grades. Uncertainty as to the future policy of the Quartermaster Corps was delaying the importation of badly needed wools. After a conference on April 2, the importers were reassured as to the intentions of the War Department. The Quartermaster General agreed not to exercise the option on wools finer than 56s bought before April 1 or on grades below 44/40s bought prior to any future date on which notice was given that the Government would take over such wools.¹⁴

¹⁴Elliott, *Brief History*, 9-12.

Chapter 3

THE PERIOD OF GOVERNMENT CONTROL, APRIL-NOVEMBER 1918

THE PURCHASE OF THE DEALERS' STOCKS AND OF THE
DOMESTIC CLIP OF 1918

Government purchase of part or all of the domestic clip had been a subject of discussion ever since the United States entered the war. Rumors of price fixing were also heard from time to time and served a useful purpose in moderating speculation in wool. Before the final imposition of Government controls in 1918, these remedies had been considered and rejected, for various reasons, by every agency of Government that conceivably could have applied them. In September 1917, the Food Administration disclaimed any intention of interfering with the marketing of either lamb or wool. In the same month, a delegation of growers conferred with the Secretaries of War and Agriculture and with prominent members of the Council of National Defense on the possibility of the Government's taking over the 1918 clip. The officials replied, invariably, that no agency had the power to take such a step. In October, the Quartermaster General became uneasy about the supply of wool for military needs and suggested to the War Industries Board that all stocks in the United States be secured. The Board refused to acquiesce in his suggestion, pointing out that the bulk of the manufacturers holding Government contracts had covered their requirements up to June 1918 and that a considerable staff would be necessitated by such an undertaking. The Board admitted, however, that it might be advisable to take part of the clip in the spring. A practical difficulty in planning for the purchase of the 1918 clip lay in the fact that the growers and the wool trade were far from agreement on details.¹

The decision to take over practically the entire wool supply of the United States was a byproduct of the military situation in France. The successful German drive of March 1918 resulted in plans for sending more American troops abroad and for increasing the number held in reserve in the United States. On April 1, heavy requisitions for woollen clothing came to the Quartermaster Corps, with the admonition that the supplies were needed very quickly. The total wool represented by these requisitions was 110 million scoured pounds. In addition, it was estimated that military contracts then outstanding would consume another 100 million pounds of scoured wool. Expansion of the needs of the War Department coincided with a substantial contraction in the country's stocks. Submarine warfare was piling up wool in the Rio Plata, while the domestic clip of the United States had not yet come on the market. According to the Bureau of Markets of the Department of Agriculture, stocks on March 31, 1918 amounted to 427 million pounds. On the previous September 30, they had amounted to 636 million pounds and at the beginning of 1918 to 563 million. By June 30, 1918, stocks had risen to 494

¹*National Wool Grower*, October 1917, p. 35, 45-46, December 1917, p. 38-39; Paul Willard Garrett, "Government Control Over Prices," U. S. War Industries Board, *Price Bulletin 3*, p. 312, 313 and note (Washington, 1920).

million pounds. All these figures included tops and noils and wool afloat, which together totaled about 100 million pounds. The real pinch in supply came in early April, when the authorities in Washington were contemplating with alarm the problem of clothing a large addition to the American Army.

The Woolens Branch of the Quartermaster Corps had the responsibility of procuring deliveries of uniform cloth. Its officials knew that the stocks held by dealers and importers were small, and some manufacturers had been maintaining that they had no wool above their immediate needs. The manufacturers wished to conserve supplies for their civilian trade and preferred, on their Government contracts, to be furnished Government wool as its use required no immediate cash outlay. In these circumstances, it was thought best not to throw huge Government orders on a practically bare market, as thereby the price of spot wools would soar and speculation would begin on the 1918 clip. As it was, there had been a spurt in prices in March, amounting to as much as 6 cents a greasy pound on some grades. On April 4, a conference was held to discuss the situation. Present, among others, were H. P. Bonties, new chief of the Woolens Branch, Albert L. Scott, and Albert W. Elliott, commercial adviser to the Bureau of Imports of the War Trade Board, who had been working with Patterson and Woolley on the control of South American wool markets. It was decided to procure an option on dealers' and importers' stocks, inventory them, and afterwards endeavor to find the necessary balance. Scott and Elliott then conferred with Robert S. Brookings, chairman of the Price Fixing Committee of the War Industries Board, whose opinion was that the market price on the option date would be a fair price for the holdings of the trade. On April 5, Elliott went to Boston and requested that the dealers give the Government an option on their stocks; he suggested unofficially that the prices be those of that day. The Boston trade agreed, suspending selling and undertaking to inventory their holdings. Shortly afterward, dealers throughout the country took similar action.²

Events now moved rapidly. A news dispatch that the Government was about to fix prices on wool brought a delegation from the National Wool Growers Association to Washington; it went into conference with the Price Fixing Committee of the War Industries Board on April 19. The Price Fixing Committee did not know whether the War Department would require any or all of the clip and at first was noncommittal as to the Government's intentions. The growers were willing that the Government take their wool, at current prices, but if no action was contemplated asked that the Government would so state. Thus, the new clip would be protected from the bearish influence of impending regulation. S. W. McClure, secretary of the National Wool Growers Association, recalled that he had been in Washington during February and March trying to ascertain the Government's attitude and had departed convinced that wool would not be subject to price fixing. At this point, Elliott, who had been made chief of the new Wool, Top, and Yarn Branch in the Quartermaster Corps, broke in with the statement that at least part of the clip would be needed. Pending detailed information from the War Department, Brookings adjourned the meeting.³

The inventory of dealers' and importers' stocks had shown that only about 35 million scoured pounds were available from that source. It was therefore imperative

²Albert W. Elliott, *A Brief History of Wool Control in the United States and the Administration of It by the War Department*, 12-16 (Washington, U. S. Tariff Commission, 1939); U. S. War Industries Board, Division of Planning and Statistics, *Commodity Bulletin: Monthly Report on Textiles and Fibers*, series 5, no. 1, p. 8 (October 1918).

³U. S. War Industries Board, *Minutes of the Price Fixing Committee of the War Industries Board*, 194-211 (U. S. Congress, 74th, 2nd Session, Senate Committee Print 5, Washington, 1936).

that some part of the domestic clip also be obtained. The War Department turned the question of price over to the Price Fixing Committee, with which the growers and dealers were separately in conference during the third week in April. Regulations for the handling of the new clip were also left to the War Industries Board. In the discussions, these two subjects were, of course, intertwined.

A tug of war ensued in the meetings with the Price Fixing Committee. Both dealers and growers favored payment for their wool at the current market prices, which were about 5 percent above those of July 30, 1917. Following Elliott's suggestion, the Boston trade had prepared schedules of prices as of April 5. The Price Fixing Committee was equally determined that the prices of the previous July should prevail. Brookings frequently cited the attempts of Great Britain to keep its prices down and warned of the inevitable post-war competition. In vain the sheepmen, now including representatives from the fleece-wool States, pleaded their high production costs; finally they agreed to the Government's terms. The dealers obtained a compromise. The bases of payment to them were also the prices of July 30, 1917; however, if any owner had paid more he was entitled to cost plus 5 percent, but in no case more than the April 5 market price for similar wools. Before an agreement could be reached, Brookings had to explain carefully to the trade that the Government would either purchase at the prices of July 30 or commandeer at a lower level. So far as the growers were concerned the threat of a commandeer was largely empty because the clip was in too many hands. In actual fact, both the clip of 1918 and the holdings of the wool trade were purchased, although the statement has often been made that the Government resorted to a commandeer.⁴

The energy and decision displayed in Washington in April 1918 were proportionate to the gravity of the situation. What prices might have obtained, had a free market been allowed, is a matter of conjecture. With U-boats continuing to take their toll, the danger of a positive wool famine with attendant speculation and hoarding was more than a possibility. In such circumstances, full control of the apportionment of the available supply was a military necessity. The Government began to accumulate wool for its future needs, shutting off entirely any allocation for the manufacture of civilian goods. The fact that high prices were paid for the privilege of control was not, at the moment, the most important consideration. The opportunity to moderate price inflation had been lost in the general confusion during the spring of 1917. The high July 30 prices, however, were to have their repercussions at the time of the Armistice.

Albert W. Elliott, in close touch with events, analyzed the situation in the following words: "If the Government had not taken control of the wool supply and its distribution, contractors not only would have had to pay very much higher prices for the needed wool, but also owing to the competition of those manufacturers engaged on civilian production, Government contractors might not have been able at times to secure the needed wool at any price. Its control of wool also placed the War Department in a very favorable position to deal with its contractors and secure the required deliveries of fabrics, for under the plan of wool control, unless he placed his machinery at the disposal of the Government, the manufacturer would eventually have had to shut down, inasmuch as the War Department had all the wool. . . . The control came too late rather than too soon. While there was a very considerable advance in price between the first of April, 1917, and the first of August, 1917, there was comparatively little advance

⁴ *Ibid.*, 193-293; *U. S. v. McFarland et al.*, 15 F.(2d)823, 826-827 (1926).

between August 1, 1917, and April 1, 1918. However, on or about April 1, 1918, the stage was all set for a great and rapid advance in wool prices. . . ."⁵

THE ADMINISTRATION OF GOVERNMENT CONTROL

The Price Fixing Committee had set the prices for the War Department's purchases. It left the prescription of detailed regulations for handling the domestic clip to the War Industries Board, which created for that purpose a Domestic Wool Section. The War Industries Board had other important functions in regard to wool. On May 16 it allocated the whole of the domestic clip to the War Department on the request of the Acting Quartermaster General, with the understanding that the War Department would take care of the needs of the Navy, Marine Corps, and other essential users. This action obviated the necessity of providing for the distribution of part of the clip for civilian manufacture, as the War Department, proceeding to build up a stockpile, did not issue any wool for other than war-related purposes until the Armistice. However, the War Industries Board did set up a Woolen Goods Section to consider the problem of civilian supply. Finally, a Foreign Wool Section, under A. M. Patterson, was created to find ways and means of increasing American imports.

The main outlines of the regulations for handling the domestic clip were developed in the meetings with the Price Fixing Committee which, on the whole, proved to be sympathetic to the growers. At one point, the dealers proposed that they be allowed to buy domestic wool as cheaply as they could and turn it over to the War Department at fixed prices. Brookings replied that the sheepmen were anxious to consign their product and that, as far as possible, the dealers were to be limited to compensation for services performed. In addition, the Committee ruled that the dealers' commissions were to be paid by the Government and not by the grower. Lewis Penwell, of Helena, Montana, who had come to Washington as a representative of the growers, was appointed chief of the Domestic Wool Section in the War Industries Board to draw up detailed regulations to guide the clip into the hands of the War Department.⁶

Penwell later declared that, after the Government, he tried to protect the producer. In fact, the regulations were designed to force consignment of as much of the clip as possible. In the farm- or fleece-wool regions, however, consignment proved impracticable because of the characteristically small clip. All dealers were to be approved by the War Industries Board. The territory or range wools were required to be consigned to six distributing centers: Chicago, New York, St. Louis, Boston, Philadelphia, and Portland, Oregon, although certain exceptions were made for clips under 1,000 pounds. The grower paid the freight and received an advance of up to 75 percent on his wool, which was graded under Government supervision. Prices were those of July 30, 1917 at Atlantic Seaboard markets. The fleece-wool regulations were a little different. Although pooling in carload lots for consignment was recommended, the dealers were allowed to buy wool. Country dealers were limited, however, to 1-1/2 cents per pound gross profit on the season's business, while those in distributing centers were limited to 5 percent on the season's business, including the 4 percent

⁵"The Wool Control in the United States during the World War," National Association of Wool Manufacturers, *Bulletin*, 54:464, 472 (October 1924). Hereafter cited as *NAWM, Bulletin*.

⁶Elliott, *Brief History*, 18-19; *Minutes of the Price Fixing Committee*, 249-252.

commission paid by the Government. Any excess profits were recoverable by the Government to be disposed of as it saw fit.⁷

In practice, the regulations of the Domestic Wool Section worked out well so far as the Government was concerned. Elliott even recommended their use if a similar emergency reoccurred. Difficulties were encountered, nevertheless, in the fleece-wool regions where the dealers were allowed to buy from the farmers. Frequently the prices paid were less than the wool was worth. Penwell planned a revision of the regulations to obviate a repetition of these losses should the Government take over the clip of 1919. Proceedings were brought against dealers to collect "excess profits" as defined in the regulations. This work was transferred to the Bureau of Markets of the Department of Agriculture upon the dissolution of the War Industries Board on January 1, 1919. By 1933, three-quarters of a million dollars had been recovered, of which about \$450,000 was distributed to the growers. In the post-war litigation attendant on this activity, some courts held that neither the President nor, consequently, the War Industries Board, had had the power to license and regulate the dealers.⁸

The purchase of the 1918 clip had both immediate and long-time benefits for the producers. Those who consigned received the very high prices of July 30, 1917. Government checks moved promptly to the West, bringing relief to local banks. Probably the outstanding merit of the purchase was that it gave many growers for the first time an accurate idea of what their wool was worth. This educative effect was much appreciated by the sheepmen. In addition, attention was called to the generally unsatisfactory methods of marketing wool; L. L. Heller stated that the experience of 1918 encouraged the formation in the next year of State-wide wool pools in the Corn Belt. On the other hand, the dealers believed themselves "unjustly discriminated against." They complained that their commissions were too low; that, since the bulk of the wool would come through on consignment, they were reduced to mere warehousemen. It was reported that many houses were closed and that others were remaining open only to maintain their organization through the war period.⁹

Within the War Department, the Wool, Top, and Yarn Branch was charged with the task of handling the raw wool, both foreign and domestic, as it was received from the dealers and importers. The branch was formed on April 17, 1918, with Albert W. Elliott as head, when it became clear that the War Department was going to acquire large quantities of wool. Elliott assumed supervision of the Wool Purchasing Quartermaster and of the Wool Administrator, Charles J. Nichols, who had been appointed in March shortly after the import license option was first exercised. The organization had to be rapidly expanded; in April it consisted of about a dozen persons in Washington and Boston; by July the staff numbered about 650 and the confusion imposed by the tremendous volume of work had been cleared up with the help of experts from the wool trade. Altogether, about 675 million pounds of wool were handled, a quantity more than equal to the production of the United States for any two of the war years.

⁷U. S. War Industries Board, *Government Regulations for Handling Wool Clip of 1918 . . . May 21, 1918* (Washington, 1918); Penwell to Milo D. Campbell, Sept. 23, 1918 in Final Report covering the Collection and Distribution of Excess Wool Profits . . . , prepared by W. L. Evans, appendix D, 1933, copy in National Archives.

⁸Elliott, *Brief History*, 27; Final Report covering the Collection and Distribution of Excess Wool Profits . . . ; U. S. v. McFarland et al.

⁹*National Wool Grower*, May 1918, p. 22-23, 33, June 1918, p. 17-18; L. L. Heller], "The History of Consigning Wool in the United States," *ibid.*, November 1920, p. 12; U. S. Tariff Commission, *The Wool-Growing Industry*, appendix, 494-495 (Washington, 1921); *American Sheep Breeder and Wool Grower*, 40:139 (February 1920).

The over-all pattern of the branch differed little from that of an ordinary wool firm, although operations were conducted on an enormous scale. In addition to the officers already mentioned, a Wool Distributor, E. W. Brigham, was added. The duties of the branch included: setting up machinery to value wool; purchasing the wool after its value had been ascertained; warehousing; pricing for resale; and, finally, selling and distributing the wool to contractors. The Wool Administrator valued and bought the wool; the Wool Purchasing Quartermaster delivered, billed, and collected for the wool sold by the Distributor and took delivery of, paid for, and warehoused that bought by the Administrator. These three had offices in Boston, while the headquarters of the branch was in Washington until after the Armistice. Offices under the supervision of the Wool Administrator were opened in Philadelphia, Chicago, and Portland, Oregon. On May 15, the Wool, Top, and Yarn Branch published its issue prices to contractors. These were approximately the prices of July 30, 1917, with the difference that prices on the finer grades were reduced to encourage their consumption and those of the cross-bred grades were somewhat increased to conform with current bids on fabrics requiring their use.¹⁰

BRITISH-AMERICAN COOPERATION IN THE INTERNATIONAL WOOL MARKET

Despite the imposition by the War Trade Board of the import license option and its partial exercise by the Quartermaster General in February 1918, the situation in South America was not satisfactory to either the British or the United States governments. The issue lay squarely with the United States for American importers exercised the greatest influence on the market and the British could not afford to participate openly in any joint purchase if it involved paying higher prices for South American wools than were paid to the growers of Australia and New Zealand. The War Department was assured, through the medium of the import license option, of no advance in price for foreign wools. However, late in May 1918, the actual importation of South American wool threatened to come to a standstill. On May 17, the Acting Quartermaster General gave notice that he would exercise the import license option on the remaining grades of wool. There followed a price deadlock; American importers were complaining that they could not cope with the increased freight and insurance rates and the unfavorable exchange if they had to deliver the wools at the prices of July 30, 1917 less 5 percent. Although Elliott reported that it was the competition among houses in the United States that had driven prices too high for profitable importation, the shortage of shipping lay at the bottom of all the difficulties. In mid-April, an estimated 70 percent of the Argentinian surplus was still on the docks.¹¹

As early as the beginning of 1918, Elliott, Patterson, and others had come to the conclusion that Government buying, whether or not in conjunction with the British, was the answer to the problem in South America. In fact, Patterson recommended that the Quartermaster Corps buy the whole South American clip. By June, it was understood that import licenses would be restricted to the Quartermaster General as soon as financial

¹⁰For the organization, administrative details, and duties of the Wool, Top, and Yarn Branch, see Elliott, *Supplement to Brief History of Wool Control in the United States* (Washington, U. S. Tariff Commission, 1940), and *Brief History*, 19-42.

¹¹*Ibid.*, 20-21, 43-44; *National Wool Grower*, May 1918, p. 23, June 1918, p. 17; War Industries Board Records, 21A-A4 2830, in National Archives. Hereafter cited as WIB. See also War Trade Board Records, executive files, Board member C. M. Woolley, Conference concerning South American Wool Situation . . . December 30, 1917, folder "Textile Alliance," in National Archives.

arrangements could be made to send Elliott to South America. On July 9, Bernard M. Baruch, chairman of the War Industries Board, wrote to Woolley, recommending that private licenses be cut off for imports from the Cape as well as from the Rio Plata. Accordingly, on July 12, the War Trade Board announced that henceforth only the Quartermaster General would receive licenses for the importation of wool from Argentina, Uruguay, and South Africa. The inclusion of South Africa was in deference to British efforts to control the market there. The initial agency of Government purchasing was a syndicate of six American importers; plans for the purchase of the whole South American clip were foregone.¹²

The South American Wool Purchasing Syndicate aroused criticism from the start. Its composition was announced on July 24, the "natural correspondents" of six leading South American houses having been selected. Protests immediately came from importers who thought themselves unfairly excluded; by September the volume of opposition was such that Baruch suggested that the War Department adopt another plan. The South American Wool Buying Commission, made up of eight salaried wool experts, eventually replaced the syndicate, but, arriving in the Argentine in November, bought only about 2,500,000 pounds of wool before the Armistice. Despite the storm it precipitated, during its operation the syndicate was successful in lowering prices; Buenos Aires Standard 46s, costing the War Department \$1.00, scoured basis, in July, were down to 88 cents by November. Altogether, the syndicate bought 40 million pounds at an estimated saving of \$1,686,000. Much pressure had been exerted to enlarge it to include other importers, but this was impracticable if the members were to operate without competing with each other.¹³

Purchasing in South America was carried on by the United States alone, but the move was part of a larger Anglo-American cooperation. In effect, a division of markets was agreed upon; the British remained out of the Rio Plata, and, as a *quid pro quo*, the War Trade Board barred Americans from South Africa. The British were embarrassed by the otherwise favorable prices at which they were getting wool in Australasia. Because of the shorter haul, they were greatly interested in South American crossbreds, but could not join the United States in purchasing them at the prices prevailing in 1918 as the Australians and New Zealanders would immediately complain of their relatively low returns. Therefore, Great Britain hoped to exchange Cape or Australian fine wools for South American wool obtained by the United States.

In South Africa, the British Government faced a delicate situation. In May 1917, it had offered to buy the Cape wools on the same basis as it had the Australasian, at about 155 percent of pre-war prices. The growers rejected these terms at a conference held in July at Pretoria. In the fall of 1917, the proposition was made voluntary, the British Government guaranteeing prices on such wool as was offered to it. At the same time, the South Africans were told that the Americans and Japanese, who were responsible for the high price level at the Cape, could not possibly transfer much of the clip. Unfortunately, the Americans moved a good deal of wool and the resulting uproar forced the British in January 1918 to release those growers who had registered their clips. The issue became entangled in South African politics. Since the British could not

¹²*Ibid.*; Patterson to Woolley, May 20, 1918, and Baruch to Woolley, July 9, 1918, in War Trade Board, Bureau of Imports, General Correspondence, folder "Government Purchase - Wool - South America."

¹³Elliott, *Brief History*, 44-47; Katharine Snodgrass, "Prices of Wool and Wool Products," U. S. War Industries Board, *Price Bulletin* 24, p. 14 (Washington, 1919).

afford to pay more to South Africans than to Australians and New Zealanders, they feared the reappearance of American buyers in the Cape market. It was on their suggestion that the War Trade Board prevented American importers from operating in South Africa.¹⁴

The developing policies of the Allies and the United States in respect of wool were to be carried out by a Wool Executive, plans for which had been prepared in England as early as the summer of 1917. This agency was to be modeled after the Tin Executive; its primary objectives were to bring down world prices, especially those in South America, and to provide for an equitable distribution of wool among the Allies. Private buying of wool was to cease; the principal Allies were to be represented at the London headquarters and were to receive their allocations at the source of supply. Each country's domestic clip was to be included in its quota and all internal distribution was in the hands of the national authorities. The War Trade Board's action of July 12 was taken in anticipation of the formation of this body, the details of which were to be discussed with British authorities by Albert M. Patterson. Patterson was a member of the Foreign Mission of the War Industries Board, which sailed for Europe in July 1918 carrying plans of executives for several commodities. The Wool Executive, however, never came into operation.¹⁵

While in London with the Foreign Mission, Patterson, as head of the Foreign Wool Section of the War Industries Board, entered into prolonged negotiations with the British for another allotment of Australasian wools. Not until 4 days before the Armistice was a contract finally signed covering 300,000 bales, including both cross-bred and merino wools. The terms were approximately the British civil issue prices. The United States, however, was to receive a rebate on any part used for military purposes. The British practice of selling supplies for other than military needs at civil issue prices was strongly protested by the Foreign Mission which pointed out that the United States made no such distinctions. In the case of wool, the British replied that the Australians and New Zealanders would not consent to anything less than the civil issue price, but that if the United States would scale down its domestic prices or those in South America the British would correspondingly reduce their prices. The contract for the Australasian wools became embarrassing and, shortly after the Armistice, attempts were made to cancel it. In May 1919, the matter was settled as part of a larger agreement negotiated by the Liquidation Commission of the War Department. Only about 110,000 bales ever came forward.¹⁶

CIVILIAN SUPPLY AND THE WOOL-MANUFACTURING INDUSTRY

The various regulatory measures that the different agencies of the Government employed in the first year of the war were designed to prevent speculation in wool to the end that reasonable terms might be secured in Government contracts. War Department procurement was likewise at the bottom of the extensive controls instituted in the spring of 1918 and thereafter; the main difference was that an actual wool shortage impended. It therefore behooved the authorities to take complete charge of the

¹⁴*The Wool-Growing Industry*, 69-72; Baruch to Woolley, July 9, 1918; Elliott to Woolley, Jan. 18, 1918, Bureau of Imports, General Correspondence, folder "Government Purchase - Wool - South America."

¹⁵Baruch to Woolley, July 9, 1918; WIB 21A-A4 2830; Baruch, *American Industry in the War*, ch. 8 (Washington, 1921).

¹⁶*Ibid.*, 93, 233; Elliott, *Brief History*, 42-43; WIB 21A-A4 2830.

distribution of wool, lest quantities that might be needed in the future by the armed forces disappear once and for all into civilian goods. No action was taken to control wool as part of a comprehensive anti-price-inflation plan, or to protect the consumer's clothing budget. The neglect of these objectives was a serious mistake.

The declaration of war in 1917 was accompanied by a sharp rise in the price of clothing and a deterioration in its quality. In May, a bill appeared in Congress which would have established the same type of regulation for clothing as was afterward enforced in the case of food and fuel. The Lever Act, however, omitted provisions concerning clothing. Consequently, authority to control wool prices was generally considered to be lacking. Meanwhile, conservation campaigns encouraged the use of cotton and the simplification of styles. In October 1917, at the instance of the War Industries Board, wool manufacturers agreed to make no all-wool fabrics for the civilian trade. In the Price Fixing Committee's discussions at the time that the 1918 clip and the dealers' stocks were taken over, Brookings, assuming that the War Department would not need all the wool, talked of civilian supply and other matters. He stressed the interdependence of wool clothing, the cost of living, and the current demands for wage increases. Stabilization of the whole clothing process from sheepman to retailer was hinted at in his remarks regarding the experience of Great Britain. The upshot of the Government's purchases, however, was quite different. None of its wool was released for civilian needs before the Armistice, as pure military necessity dictated otherwise. Neither was price fixing applied in wool products, except to rags and shoddy, maximum prices for which were established in August 1918. In addition to reworked wool from old rags, those stocks of wool which were in the hands of manufacturers in April 1918 were left for the civilian trade.¹⁷

With the shutting off of wool for civilian manufacture, speculation in piece goods began, becoming so prevalent that, in June 1918, the War Industries Board asked the Federal Trade Commission to investigate the New York market. The presence of Government investigators had a moderating influence, but prices continued to climb. On August 29, Royal Meeker, Commissioner of Labor Statistics, requested President Wilson to appoint a clothing and textile administrator. The wholesale price index for clothing, based on 1913, had risen from 173 in May 1917 to 249 in July 1918. Dr. Meeker cited the public benefits of the Food Administration and charged that merchants were frightening the consumer by talk of future price advances. The President, however, did not consider that he had the requisite authority, as in the case of food and fuel.¹⁸

By late summer of 1918, the question of manufacturing for the civilian market came to the fore. The emphasis, however, was not so much on keeping civilians well or cheaply clothed as on keeping the mills busy. A crisis had developed in the industry as an unavoidable result of wartime policy. In the face of the uncertainties of the military and shipping situations, the War Department was providing reserves for its expanding army. Back of the reserve clothing was a stock of cloth; back of the cloth, a stock of raw wool. Winter uniforms had to be in readiness for the troops abroad and

¹⁷U. S. Bureau of Labor Statistics, *The Effect upon the Civilian Market of the War-time Control of Wool and Wool Products*, 11-13 (Washington, 1941); Katharine Snodgrass, "Price Fluctuations in the Woolen Industry," *American Academy of Political and Social Science, Annals*, 89:58 (May 1920), and "Prices of Wool and Wool Products," 15-16; *Minutes of the Price Fixing Committee*, 200-201, 224-226, 264-266.

¹⁸Baruch, *American Industry in the War*, 235; C. F. Stoddard, "Price Fixing by the Government during the War," *Monthly Labor Review*, May 1920, p. 39-41.

submarine losses had to be discounted in advance. To create, as soon as possible, the requisite quantity of clothing, the War Department gave out its contracts in bulk. The volume of military production of the summer of 1918 could not be continuously maintained. On October 1, the War Service Committee of the wool-manufacturing industry announced that a reduction of the machinery employed on Government orders was imminent.

The manufacturers protested that the curtailment of Government requirements meant the shutdown of many mills, unless wool were issued for the civilian trade. Since April 1918, the Government had released no wool for other than military purposes and the private stocks held by manufacturers were progressively impaired as orders for civilian goods were filled. The Woolen Goods Section of the War Industries Board had been formed on June 1, 1918 to measure the Army's needs against the industry's capacity and to determine how much, if any, civilian manufacture was to be supported with Government wool. The manufacturers had been warned that the shortage of raw wool in relation to military needs made necessary the strictest conservation of existing stocks. In September, Herbert E. Peabody, chief of the Woolen Goods Section, stated definitely that no wool was available for civilian goods. The industry, irritated by reports that orders for American uniforms were being placed in Great Britain, emphasized the disorganization and loss of personnel which would result from idle mills and made repeated representations to Washington.

On October 16, A. T. Skerry, Jr., president of the National Association of Worsted and Woolen Spinners, sent to Peabody a strong statement of the manufacturers' case. After consultation between the War Industries Board and the War Department, it was announced on October 22 that the Quartermaster Corps would enter the market immediately for large quantities of military cloth. The procurement program was advanced, but no wool was released for civilian needs. On November 1, the Woolen Goods Section announced that the Government had provided the only possible relief for the industry for some time to come. The War Industries Board considered that there was enough civilian apparel in the United States to last through the winter of 1918-19, but that some provision would be necessary by the middle of 1919 at least. At the Armistice the War Department, besides its stock of raw wool, had in reserve huge quantities of cloth and clothing, including almost 11 million yards of 16-20 ounce Melton cloth, over 4 million blankets, and 8-1/2 million trousers and breeches.¹⁹

After April 1918, the carpet-wool industry became somewhat of a war casualty. The mills relied altogether upon foreign wools, chiefly from China, Turkey, Russia, and Argentina, for their raw material and the complete exercise of the import license option cut off further supplies. The Government was criticised in some quarters for taking over carpet wools. One reason for the policy was the possibility of false declarations by the importer. Moreover, in conjunction with reworked wool, the better grades of carpet wool were used in the manufacture of Army blankets and overcoats. At the Armistice, plans were under way to manufacture 4 million blankets from these materials. Under such conditions, readjustments were necessary to keep the carpet mills running. Resort was had to substitutes and less compact weaving. Many mills were able

¹⁹Snodgrass, "Prices of Wool and Wool Products," 15; U. S. War Industries Board, *Commodity Bulletin . . . Textiles and Fibers*, October 1918, p. 12; Winthrop L. Marvin, "After-The-War Readjustment," *NAWM, Bulletin*, 49:68-72 (January 1919); Paul T. Ctherington, "The Government Wool Auctions," *ibid.*, 332-333 (October). See also *ibid.*, 48:283, 381-383, 392 (April, October 1918).

to adapt their machinery to the manufacture of more war-essential items. Blankets, cotton duck, yarn, and small armaments were turned out. After the war, the necessity of readapting the machinery, together with a rather slack demand for carpets, delayed the recovery of the industry.²⁰

²⁰*The Effect upon the Civilian Market of the Wartime Control of Wool and Wool Products*, 16-18; Elliott, *Brief History*, 21-22.

Chapter 4

THE DISPOSITION OF THE WAR DEPARTMENT'S STOCKS TO MAY 1920

THE DEMOBILIZATION OF THE INDUSTRY

As the German armies weakened in the fall of 1918, the problem of transferring the wool industry to a peacetime basis came to the fore. The controls which had gradually been devised now had to be relaxed. The Government, through the War Department, held virtually the entire wool supply and had obliterated the wool markets of the country. It was buying all the current imports and was the only agency allowed to purchase in the Uruguayan, Argentine, and Cape markets. In addition, its contracts were largely occupying the Nation's wool-manufacturing machinery. The War Industries Board had already decided to take over the 1919 clip and word of its decision had leaked out to the growers. The stockpile of wool accumulated against the uncertainties of war had been converted from a "dangerously meager reserve" to a "huge incubus." It was realized that the disposition of this stockpile would have a decisive effect upon wool prices. The policy to be followed in this situation was the subject of protracted argument in Washington and in the industry.

At the time of the Armistice, the War Department was obligated to take over the following classes of wool:

1. The remainder of the domestic clip of 1918.
2. All importations—under the import license option.
3. A small quantity of dealers' and importers' wool—under the agreement of April 1918.
4. The Australasian allotment—300,000 bales.
5. The 42 million pounds bought by the South American Wool Purchasing Syndicate and its successor.

These obligations raised no fundamental problems. It was plainly inadvisable to attempt to cancel an agreement with such a large number of producers; the War Department simply announced that it would take no wool of the 1918 clip not ready for delivery before March 1, 1919. The exercise of the import license option on carpet wools was allowed to lapse after November 22 and on most other wools after December 31. Dealers' and importers' stocks were not received after December 4. The greater portion of the Australasian wool, as has been indicated, was retained by the British under an agreement reached with the Liquidation Commission of the War Department. As the South American purchases either belonged to or had been bought on the direct order of the Government, they were added to its surplus. The War Department was proceeding on the theory that it was preferable to develop its own losses rather than allow the original owners to sell their wool in competition and later make claims against the Government.¹

¹Albert W. Elliott, *A Brief History of Wool Control in the United States and the Administration of It by the War Department*, 50-53 (Washington, U. S. Tariff Commission, 1939).

To the wool manufacturers the impending cancellation of Government contracts was a cause of acute worry. Some firms had 70 to 80 percent of their equipment employed on War Department orders. The War Service Committee of the industry held conferences with Washington officials to the end that contracts nearly completed would not be arbitrarily cancelled and that every consideration be given the manufacturers, consistent with the plain fact that the War Department could not go on piling up superfluous equipment. The War Industries Board issued a reassuring message to the industry on November 18, and 5 days later the War Department stated its policy. Delivery was permitted to the quantity of fabric that would have been produced by December 21 at the average rate of production of each mill for the 4 weeks ending November 9. Such goods were to be accepted until February 1, 1919, thus enabling the mills to operate at part time pending the reestablishment of civilian manufacture. Other encouragement was given to the shift to normal operations. Unfinished military fabrics and raw Government wool could be used for civilian business, the War Department to allow the manufacturer the difference, if any, between the cost of such wool or material and its cost if the wool had been bought at average December 1918 prices. Two days after the Armistice, Acting Quartermaster General Wood sent instructions to the Wool Distributor to release available wools at the regular issue price. Little was sold on these terms, however, after the announcement of the Government auctions, as manufacturers were holding off until some basis for wool prices had been established.²

Before the Armistice brought a rather unexpected end to the fighting in France, the War Industries Board had decided to take over the domestic clip of 1919. Frank J. Hagenbarth, president of the National Wool Growers Association, had urged the step upon the authorities. The producers believed that the purchase of the new clip would stabilize the industry and were inclined to the view that, as they had sold the clip of 1918 at somewhat less than current market prices, the Government should undertake to protect them. Acting on the advice of Major General Goethals, the Board on October 22 decided to announce that the War Department would require the clip. However, since no public commitment was ever made, the Board rescinded its decision on November 14. This was not the end of the matter; the growers, fearful that wool prices would drop, asked in a meeting with the Textile Division of the War Industries Board on November 25 that the clip be bought on the same basis as that of 1918. Hagenbarth spoke of how the prices of July 30, 1917, together with high operating costs, had prevented the grower from building up a reserve. He explained that the producers were not in favor of maintaining high prices indefinitely, but were hopeful that, if 1919 were gotten through safely, costs and prices might fall together. Elliott pointed out that the Quartermaster Corps did not need the wool as it had enough clothing for a year, provided the war did not begin again.

On the next day, Hagenbarth restated his proposal, emphasizing that the 1919 clip could be sold at fair prices to the trade. He estimated the Government's loss on such a transaction at less than 50 million dollars and observed that this policy would meet the wishes of those branches of the industry which desired lower prices. On December 5, the National Wool Growers Association sent a telegram to Baruch, urging that the money accumulated by the sale of the current Government stocks be used as a revolving fund for the purchase of the 1919 clip. The War Industries Board never seriously considered altering its decision of November 14. The reversal of policy on

²Winthrop L. Marvin, "After-The-War Readjustment," National Association of Wool Manufacturers, *Bulletin*, 49:72-73 (January 1919). Hereafter cited as NAWM, *Bulletin*.

the clip of 1919 is evidence that the authorities were interested in providing against wartime needs rather than protecting the grower against post-war eventualities. In this, American policy differed from that of the British who bought the Australasian wools for a year after the conflict.³

The most complex problem in regard to wool faced by the authorities at the end of the war was the disposal of the Army's wool stocks. At the time of the Armistice, the War Department had actually on hand about 172 million pounds of wool, although it held title to, or was obligated to accept, a great deal more which it was estimated would bring the total eventually to be disposed of to 525 million pounds. The Bureau of Markets reported total United States stocks on December 31, 1918 as 461 million pounds, of which the War Department held 313 million. Because it possessed the greater part of the country's stocks, the details of the War Department's plans for the disposal of its wool were of lively interest to the industry. Fundamentally, the issue was whether the price level in the United States should be on a parity with that of Great Britain. In June 1918, the British Government had contracted to take over the Australasian wools for the remainder of the war and one year thereafter; this meant that it would sell all wool shorn in the Dominions up to June 30, 1920. Great stocks of the fiber had accumulated in the Antipodes during the war and it was recognized that the British policy would have a determinative effect on wool prices the world over. The British civil issue prices, which, it was believed, would support the market, were considerably lower than the War Department's issue prices to contractors, reflecting the fact that control over wool prices had begun in Great Britain before the United States entered the war. A comparison of the American and British bases appears below, in terms of British equivalent prices for American grades.⁴

*Comparison of American and British issue prices,
clean basis, December 1918⁵*

GRADE	AMERICAN ISSUE PRICE	BRITISH CIVIL ISSUE PRICE
	<i>Dollars per pound</i>	<i>Dollars per pound</i>
Fleece		
Ohio fine delaine	1.90	1.45
Ohio fine clothing	1.75	1.41
Ohio 1/2 blood staple	1.75	1.39
Territory		
Fine medium staple	1.83	1.41
Fine medium clothing	1.75	1.39
1/2 blood staple	1.75	1.32
High 3/8 blood (56s to 58s)	1.55	1.20
3/8 blood (50s to 56s)	1.47	1.05
High 1/4 blood (48s to 50s)	1.42	.95
1/4 blood (46s to 48s)	1.38	.85
Low 1/4 blood	1.23	.78
Common (40s to 44s)	1.17	.74
Braid (40s)	1.12	.67
Low braid (36s)	1.05	.65

³War Industries Board Records, 21A-A2 353, 21A-A3 82, 21A-A4 2812, 2817, in National Archives. These records are cited hereafter as WIB. See also *National Wool Grower*, November 1918, p. 31-32, December 1918, p. 29-31.

⁴Elliott, *Brief History*, 47, 49; NAWM, *Bulletin*, 54:378-379 (July 1924); Katharine Snodgrass, "Prices of Wool and Wool Products," U. S. War Industries Board, *Price Bulletin* 24, p. 14, 16 (Washington, 1919).

⁵*National Wool Grower*, January 1919, p. 16.

On November 9, the War Department requested the advice of the War Industries Board as to the policy to be followed in disposing of its wool. John W. Scott, head of the Textile Division of the Board, called in the different branches of the industry to ascertain their wishes in the matter. Conferences were held with the interested parties at which great differences of opinion developed. The dominant note in these conferences was the foreboding that the wartime price level was factitious and would speedily liquidate itself, failing shoring-up by the Government. The wool manufacturers, practically bare of stocks, proposed that the War Department immediately and freely auction its wool without minimum or "upset" prices so that some basis for wool prices might be established. Clearly, they wished to be at no disadvantage to their foreign competitors in regard to the cost of their raw material. The procedure they suggested was in line with that ordinarily governing the disposal of surplus Army goods. The growers hoped to protect their 1919 clip by one means or another: purchase by the Government, prohibition of wool imports, or sale of the War Department's stocks at fixed or minimum prices. Between these extreme positions were other segments of the industry. The clothing manufacturers explained that the protection of their spring season necessitated that there be no auctions before February 1919. The retail clothiers, merchant tailors, and piece-goods jobbers also wished the auctions delayed so that they could sell off their high-cost inventories before goods based on cheap wool made an appearance.⁶

The discussions with the industry were climaxed by a large meeting on November 26, in which all branches were represented, called, as Scott put it, to find some common ground between diverse opinions. Out of this crucible the War Industries Board hoped to compound a formula for the guidance of the War Department. There is some evidence that the matter was put to a vote and that the majority recommendation was embodied in Baruch's letter of November 27 to the War Department.⁷

Baruch outlined alternative methods of disposing of the wool. The first, which he did not favor, was sale without restriction; the second contemplated an embargo on raw wool and wool manufactures. He suggested, however, that if the War Department adopted the first plan the wool should not be sold at less than the British civil issue prices. On December 3, Gerard Swope replied for Major General Goethals and said that Baruch's letter was too general to furnish any guidance. Swope submitted the following for advice and comment: that the wool be disposed of from time to time in prudent amounts at public auction; that the minimum prices be the British civil issue prices; and that the regulation of imports be left to the War Trade Board. This was the plan under which the wool was subsequently sold. Baruch countered, on the following day, with a plan drawn up by H. E. Peabody, chief of the Woolen Goods Section of the War Industries Board. The wool was to be sold through the Wool Distributor at prices fixed halfway between the American and British issue prices. This arrangement was to continue until July 1, 1919; meanwhile, an embargo was to be placed on foreign wools, except carpet grades, until July 1, after which importation was to be permitted in order to supplement the domestic clip. Baruch pointed out that these measures would protect the interests of the Government, inasmuch as the prices on its wools would be high, as well as the interests of other sectors of the industry. He promised his support in securing

⁶For the viewpoints of the various branches of the industry, see WIB 21A-A2 353, 21A-A4 2817 and 2866.

⁷Frederic S. Clark to Scott, Nov. 26, 1918, and the minutes of the meeting of that date in WIB 21A-A2 353.

the War Trade Board's cooperation. Goethals replied, on December 6, that the War Department had already issued instructions to put its own plan into operation.⁸

The War Industries Board, in insisting that its plans be heard by the War Department, not only shared the general belief in the imminence of a decline in wool prices but seemed to be motivated in part by the fact that it was responsible for fixing the original high July 30, 1917 prices. Baruch also seemed anxious to protect the wool growers, having conferred with several of the western Senators on the problem. Although the War Department had refused to put his suggestions into operation, he endeavored to continue Government controls through the War Trade Board. On December 4, he had written to Vance McCormick, chairman of the Board, putting forward Peabody's plan. Peabody presented the letter at a conference of the directors of the War Trade Board. On December 12, McCormick replied, giving reasons for the plan's unsuitability. He considered the contemplated import restrictions against the public interest and for the benefit of special classes. In his view, the arguments for an embargo on wool stood on the same ground as those for embargoes on long-staple cotton, tungsten, burlap, jute, and other products. The War Trade Board believed that trade should return to a "normal" basis as soon as possible. Despite further negotiations, McCormick did not budge from his position; on January 8, 1919, all restrictions upon the importation of wool from nonenemy countries were withdrawn.⁹

On December 6, Goethals issued instructions governing the sale of the War Department's wool. Within 90 days, 100 million pounds were to be offered at auction; the equivalents of the British civil issue prices were specified as minima. It was provided that the sales could be suspended or the quantity offered reduced if market conditions warranted. Elliott, as head of the Wool, Top, and Yarn Branch, supervised the auctions, moving his headquarters to Boston for that purpose. The plan of disposal was designed to reestablish a free wool market, and, at the same time, to protect the industry against a disastrous price decline. The British authorities considered the plan satisfactory and in harmony with their own intentions. Elliott described the Government's policy as follows: "There was no plan on the part of the United States Government to hold prices up or to put them up. . . . The policy pursued by the War Department was to get out of the wool business as quickly as possible without making any undue sacrifice of what was really a very valuable raw material, and without unduly depressing the market on which the American wool grower had to sell a clip of wool which he had raised under very high production cost."¹⁰

THE POST-ARMISTICE DEPRESSION

Conditions in the wool-manufacturing industry were uncertain immediately after the Armistice and in the early part of 1919, as they were generally in the United States. The first Government auctions were held December 18-20 in Boston and scored

⁸Baruch to Swope, Nov. 27, 1918, Swope to Baruch, Dec. 3, 1918, Baruch to Goethals, Dec. 4, 1918, and Goethals to Baruch, Dec. 6, 1918, WIB 21A-A4 2812.

⁹Baruch to McCormick, Dec. 4 and 13, 1918, McCormick to Baruch, Dec. 12 and 19, 1918, in *ibid.*; Snodgrass, "Prices of Wool and Wool Products," 23.

¹⁰Goethals to Director of Purchase and Storage, Dec. 6, 1918, in Records of the Quartermaster General's Office, 319.1, in National Archives. Hereafter these records are cited as QMGO. J. Joyce Broderick to Clarence M. Woolley, Dec. 11, 1918, War Trade Board Records, Bureau of Imports, General Correspondence, folder "Australian Wool," in National Archives; Albert W. Elliott, "The Course of Wool Prices for the Last Six Years," *NAWM, Bulletin*, 53:61, 62 (January 1923).

only indifferent success. Withdrawals were heavy; only 63 percent of the wool was sold and most of the lots were bought for sampling. Prices tended to decline to a parity with the British civil issue prices. Fine staple territory wool, scoured basis, sold at the December auctions at 7 percent above the British issue price; during the series of January 15 and 16, the margin declined to 1 percent. The prices obtained for territory 1/4 blood, scoured basis, fell in a similar fashion from 25 percent to 6 percent above the British issue price for similar wool. The War Department had not publicly announced its minimum prices and the manufacturers were unwilling to buy until the bottom prices were known. At the same time, they brought pressure to obtain lower wool prices by auctions without restrictions or by allotments at minimum prices between the sales.

The uncertainty as to minimum prices, which had an unfavorable effect on the first two series of Government auctions, was removed early in January 1919. A committee of the Boston Wool Trade Association made public a list of prices based on the British civil issue prices. It was generally understood that this list would serve as the upset prices in the Government's auctions and buyers forthwith became more active. Elliott resisted suggestions of private sales between the auctions and refused to lower the minimum prices. He believed that with stabilized prices clothing manufacturers would gain confidence and that a revival of mill activity would ensue. The wool growers, however, were alarmed at the prospect of low prices for the 1919 clip. After a conference with their representatives, the War Department issued a statement of its policy on January 22. The British civil issue prices were to remain as minima until July 1, 1919 when the War Department would suspend the sale of any wools which might compete with the domestic clip of 1919. The growers had asked that the withdrawal limits be raised, but the authorities pointed out that no restrictions on importations existed and that it was to the advantage of both the War Department and the producer to prevent an influx of foreign wool. It was generally realized that the British issue prices were an effective floor for the American market. When the British Government announced a cut of 7-1/2 percent in its minima, effective for the reopening of the London auctions in April, the War Department anticipated the action by a similar reduction in time for its sale on March 25.¹¹

In March 1919, the domestic wool market began to revive, the slash of 7-1/2 percent in the withdrawal limits aiding the movement. The auction on March 25 was a decided success. No plethora of raw wool imports had followed the free issuance of licenses by the War Trade Board and the industry eagerly awaited the reopening of the London auctions in April. When reports of the huge attendance and high prices for fine wools registered at these sales reached the United States, the manufacturers rushed to buy, as they were practically devoid of stocks. A strong civilian demand for clothing was discovered in Europe as well as in the United States and European mills were engaged in filling orders at home. The recovery of the wool market, as illustrated by the Government auctions, came in time to strengthen the growers' hands in marketing the 1919 clip. In this respect the sales served as a market barometer to the producer. The auctions through June were very successful, the fine wools bringing record prices. By July 1, 1919, when the auctions were temporarily suspended, the Government's stocks

¹¹Elliott to Director of Purchase and Storage, Jan. 23 and Mar. 15, 1919, memo of Lt. Col. Fred A. Ellison, Mar. 24, 1919, in QMGO, 319.1; Elliott, *Brief History*, 55-58; Paul T. Cherington, "The Government Wool Auctions," *NAWM, Bulletin*, 49:337-338 (October 1919); Snodgrass, "Prices of Wool and Wool Products," 22; *American Sheep Breeder and Wool Grower*, 39:5, 38, 162 (January, March 1919); *National Wool Grower*, February 1919, p. 20.

had been reduced to about 147 million pounds. The War Department's policy of equalizing American and British prices and thereby providing a floor for the market had tided over the danger of a crash in wool prices.¹²

WOOL PRICES IN THE POST-WAR PERIOD

The advance in wool prices in 1917 and 1918 was largely caused by the lack of ships to bring the wools of the Southern Hemisphere to the manufacturing centers in Europe and North America. Great Britain and the United States could have utilized a great deal more of the fiber than was available during these years, although in both countries there had occurred an expansion of mill activity over pre-war levels. After 1916, due to the scarcity of tonnage, great stocks of wool began to accumulate in South America and Australasia. Previously, the blockade of the Central Powers, which also cut off the mills in Belgium and in the Roubaix-Tourcoing district in France, had been offset by the expanded demand for wool for military cloth.

The extent and effect of this surplus was a matter of vital concern to the wool industry. Accurate measurement of the stocks was difficult and estimates varied considerably. The British Wool Council, formed to plan the relinquishment of Government controls over the industry, estimated in January 1919 that the accumulated wools in the Southern Hemisphere amounted to 1,265 million pounds, exclusive of the 1919 clip. In February, at a time when the American wool market was in the doldrums, A. M. Patterson published a statement which indicated that by June 30, 1919 there would be a large surplus of wool over needs. Possibly because of their depressing effect on wool prices, his figures were attacked by the National Wool Growers Association. The association denied the existence of any unreasonable quantity of wool. On March 6, a meeting of wool men took place at Columbus, Ohio. It was called at the behest of the Ohio and Pennsylvania growers to discuss the world's wool supply and the marketing of the 1919 clip. The sense of the gathering was that stocks were not excessive.

Actually, the immediate effect of the surplus was hindered by the shortage of shipping, which continued into 1919, and the general disorganization of ocean transportation. Dock congestion, port strikes, and other dislocations characterized the period. At the end of the war, moreover, an effective shortage of wool and its products existed both in Europe and America and the demand for these products was soon discovered to be powerful. The fact that the British Government held the largest part of the oversupply was also a stabilizing force. According to Elliott, the British system of allotments and auctions was designed to keep prices up by doling out the wool in small quantities. However, it is doubtful if much more wool could have been delivered in 1919 and early 1920.¹³

The movement of prices from the spring of 1919 to that of 1920 must be described in terms of the unusual price spread which developed between merino and crossbred

¹²*Ibid.*, May 1919, p. 20, 21-23, June 1919, p. 19-21, July 1919, p. 19-21; *American Sheep Breeder and Wool Grower*, 39:229, 294 (April, May 1919); Cherington, "The Government Wool Auctions," 335-336; *NAWM, Bulletin*, 49:186-187 (April 1919).

¹³U. S. Tariff Commission, *The Wool-Growing Industry*, 84-86 (Washington, 1921), and *Recent Tendencies in the Wool Trade . . . 1920-1922*, p. 3-4 (Washington, 1922); Elliott, "The Course of Wool Prices," 60-63; A. R. Gould, "Wool Marketing Conditions for 1919," *American Sheep Breeder and Wool Grower*, 39:131-134 (March 1919); George T. Willingmyre, "Wool and Wool Markets of the World," *ibid.*, 134-135.

wools.¹⁴ Not only did fine wools recover from the post-Armistice slump a month before the crossbreds but they entered on a phenomenal popularity which carried their prices to record levels in early 1920. By the middle of 1919, staple fine and fine medium territory wools were selling at \$1.85, scoured basis, while territory 1/4 blood was bringing from \$1.15 to \$1.20. The spread between these grades had been only about 10 cents at the beginning of 1915. Crossbreds, lagging appreciably in the upswing in the spring of 1919, never recovered their peak wartime level, which can be placed in March 1918. In the fall of 1919, crossbred grades again weakened, but had regained the ground by early 1920. They were unanimously regarded as the danger spots on the market after the middle of 1919. It was plain that the world surplus of wool existed only in the crossbred grades. In the holdings of the British Government, the quantity of fine wools decreased while the coarser grades tended to pile up. A similar process was operative on the War Department's stocks. Reinforcing the market's tendency was the relatively high proportion of crossbred in the clips of the leading wool-producing countries and the contemporaneous decline in the production of merino.¹⁵

One of the remarkable phenomena of 1919-20 was the great demand for clothing, especially the varieties made from merino wool. Fine-wool clothing was just coming into fashion at the beginning of World War I. During the war years, the concentration of military demand on crossbred wools virtually excluded them from civilian fabrics. Therefore, what originally may have been a passing fad had become a confirmed taste for fine-wool clothing by the end of the conflict. This insistent demand was part of the luxurious spree which the peoples of Europe and America allowed themselves after the sacrifices and hardships of the war. The trend was supported by the continuance of high wages and was as evident on the torn Continent as in the United States and England. In addition, high manufacturing costs made it more advantageous for the consumer to buy a suit made from merino than one made from coarser grades, as the difference in price was less than that in intrinsic value. Another factor intensifying the demand for merino wool was the emergence of Japan as a wool-manufacturing country with machinery largely designed for the production of fine fabrics. As the demand for merino wools waxed, that for crossbred weakened. France, Germany, and Belgium, formerly heavy customers for South American crossbreds, did not buy in their pre-war volume. The price spread between the merino and crossbred grades continued through the depression in the wool market after May 1920, the discrepancy even showing a tendency to widen.¹⁶

THE GOVERNMENT AUCTIONS, 1919-20

Between July 1 and November 1, 1919, in accordance with its promise to the growers, the War Department suspended the sale of wools competing with the domestic clip. Auctions of carpet wool, however, were held during July, August, and October at Philadelphia and considerable quantities were disposed of at these series. The movement of the domestic clip was aided by the discontinuance of the Government's sales and the successful auctions in the spring had given the producers an opportunity to gauge the market. The fine wools in the domestic clip brought top prices as the mills were eager to meet the profitable demand for soft fabrics. By September, the dealers became uneasy

¹⁴See Appendix.

¹⁵See the discussion on p. 3.

¹⁶*Recent Tendencies in the Wool Trade*, 4-5; Elliott, "The Course of Wool Prices," 65-67.

about their stocks of wool below 1/2 blood; they were reported "loaded to the guards" with crossbred, some of which they had bought, because of its cheapness, at the Government sales. The hope was expressed that the mills would promote fabrics employing the coarser grades.¹⁷

However, the manufacturers had begun negotiations with the British Government and the Departments of State and Commerce at Washington for an allotment of fine Australian wools. This action precipitated a controversy which split the wool industry into discordant factions. The prime movers in the project were the National Association of Wool Manufacturers and the American Association of Woolen and Worsted Manufacturers. They pleaded a shortage of merino wool, pointing out that Americans were not allowed to operate at the auctions in London and that the War Department had cancelled its allotment of Australian wools and suspended its auctions until November. Three solutions were proposed: participation in the London sales, direct purchase in Australia, or auctions at Boston by the British Government. The British announced on August 4 that American buyers would be allowed to purchase to a limited extent at the August sales in London. After further negotiations, the British Embassy at Washington stated on September 18 that authority had been given for a first shipment of 50,000 bales to be auctioned at Boston. If the response was favorable, 30,000 bales a month were to be sold.

These steps were taken in the teeth of opposition from growers and dealers who suspected an attempt to break the market. The National Wool Growers Association protested the "dumping" to officials at Washington. The importers of Boston preferred to bring in wool themselves and may also have been nervous about their high-cost stocks. At a meeting called by the executive committee of the Boston Wool Trade Association, little enthusiasm was evinced for the plan; only one dealer would agree to furnish storage. In the end, some of the wool was stored by manufacturers. Irritation grew when it was learned that of the first 50,000 bales to be shipped, 10,000 were New Zealand crossbreds. The British auctions were considerably delayed, the first occurring in January 1920.¹⁸

The renewal of the Government auctions was viewed with apprehension. Major General Burr had testified to the desire of the authorities to "get out of the wool business" as soon as possible, it was hoped by the summer of 1920. At the auctions in November, however, 1/4 and 3/8 blood wools, which were regarded as threatening to break the market, sold at good prices. More optimism prevailed in December 1919 than at any time since July. The Government entered the new year with 98 million pounds of wool, out of almost 675 million which it had in its possession at one time or another during the period of the war. In January 1920, Australian merinos brought record prices at the British auction, but the trade was sobered by the fact that 9,000 bales of crossbreds were withdrawn, many without a bid. The auctions scheduled for February again aroused fears for the market. Besides the resale of the rejected British wool, the War Department was to offer about 23 million pounds, mostly crossbreds. The feeling became general that the industry was being "crowded" by "forced sales." Hope was again

¹⁷Elliott, *Brief History*, 61; *National Wool Grower*, July 1919, p. 19-20, October 1919, p. 18-20.

¹⁸Paul T. Cherington, "Manufacturers' Activities in Connection with Importation of Australian Wool," *ibid.*, December, 41-42. See also *ibid.*, July, 21, August, 27, October, 17-18, 33-34, November, 20-21; *American Sheep Breeder and Wool Grower*, 39:630, 689-690, 40:46 (October, November 1919, January 1920); *NAWM, Bulletin*, 50:35-36, 120-121, 151-154 (January, April 1920).

expressed that the goods market might be swung to coarser fabrics employing the surplus of crossbreds. Meanwhile, the action of the Federal Reserve Board in advancing its re-discount rates was inclining dealers to a cautious attitude in regard to the new clip. At its annual meeting in Salt Lake City, the National Wool Growers Association had encouraged its members to hold out for high prices.

During the sales in February, crossbreds moved fairly well, but the "astonishing" price spread between fine and coarse grades continued. Little buying was being done in the West because of the prices asked by the growers and the vague fear of a financial panic. The Government sales were beginning to be looked upon as nuisances. In March, the market was still "overshadowed by an overplus of auctions." Agitation to suspend the sales and to lower the withdrawal limits on crossbreds was heard in many quarters. After only 4 million pounds of wool were sold out of a total of 19 million, the War Department revised its plans. The quantity to be offered monthly was restricted to between 5 and 6 million pounds until the market showed improvement. The auction of April 8 was very successful, even the crossbred grades selling well. At the same time, the peak of 71 cents per greasy pound was paid for the Jericho, Utah, wools. There were signs that the wool trade, which had held off for so long, was preparing to move the domestic clip. In May, however, the wool market was dead; only 42 percent of the wool offered at the Government's sale on May 8 was sold. Buyers in the West were instructed to restrict their activities to soliciting consignments. It was obvious that those growers who had sold their wools before May were lucky; consignment at declining advances was the rule for such of the 1919 clip that was not held off the market.¹⁹

THE COLLAPSE OF MAY 1920

What occurred in the domestic wool market in May of 1920 was not so much a price decline as an almost complete stoppage of buying. Very little wool was sold in Boston during the summer; price quotations were largely nominal. Many dealers were in financial straits, embarrassed by the fact that their stocks like those of the Government by the same process of "natural selection" contained, for the most part, the unwanted crossbreds. The incidence of the break, however, was squarely upon the growers, very few of whom had managed to sell their wool. An attempt was made to finance the clip by the use of bankers' acceptances until the market recovered, but in the end this method failed to secure the grower any more money than did ordinary consignment. In the fleece-wool sections a good deal of wool was held at country points. It was estimated that over half of the clip was still in the growers' hands on September 30, 1920. An idea of the catastrophe can be gained from the May to December (1920) price decline in territory wools, scoured basis: staple fine and fine medium, \$2.00-\$.90; 1/2 blood, \$1.70 - \$.75; 3/8 blood, \$1.20-\$.55; and 1/4 blood, \$1.00-\$.40. The growers immediately began agitation for tariffs and embargoes, as they had in the uncertain period following the Armistice; their demands eventually bore fruit in the wool duties of the Emergency Tariff Act of 1921.²⁰

¹⁹See market reports in the *National Wool Grower* and the *American Sheep Breeder and Wool Grower* from December 1919 to July 1920. Also Elliott, *Brief History*, 61.

²⁰Mark A. Smith, *The Tariff on Wool*, 130-137 (New York, 1926); *The Wool-Growing Industry*, 14.

The inactive wool market of May 1920 was the result of a number of circumstances. In the West, buyers who had hesitated to move the new clip because of the scarcity of money had begun to compete sharply for fine wool, although they ignored clips containing crossbreds. In May the Federal Reserve Board's policy of curtailing credit for speculative purposes cut down the wool dealers' usual quota of loans. Western buyers were at once instructed to cease operations and solicit consignments. The Boston houses even found it difficult to make advances on the wool. Cancellations began to increase as buyers of cloth saw in this situation the prospect of lower prices.

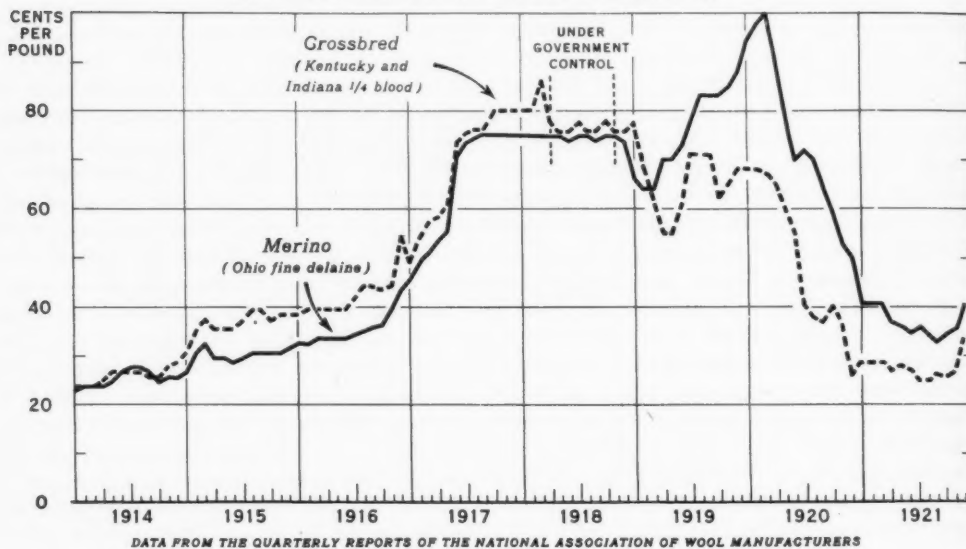
The clothing market, at the same time, was suffering from a number of ills. After a temporary slump in the months immediately following the Armistice, the wholesale prices of cloths and clothing began a phenomenal rise which carried their index to almost 350 percent of its 1913 level by early 1920. This level was much above that reached during 1917-18 and considerably above the wartime or post-war peak of any of the major commodity groups. The public protested against these prices. "Don't Purchase" campaigns were waged and the Department of Justice proceeded against "profiteers" under the Lever Act. Retailers were reportedly operating on the theory of high profits on each article instead of striving for a large turn-over and small margins. Cancellations were unusually heavy in the spring of 1920; dealers had large stocks, caused in some cases by overordering. Reduction sales and cheaper lines of goods made an appearance. Once prices began to fall, mill consumption dropped off, from a January peak of 73 million pounds to 59 in May and 47 in June. Activity continued at a low level through the remainder of the year. The decline in wool prices in England and the international financial stringency were additional depressing factors as was the world surplus of wool, although the latter had been discounted in terms of relative price since the middle of 1919. The prices of December 1920 carried the same spread between grades as those of May and the discrepancy even tended to widen.²¹

Considered against this background, it cannot be maintained that the War Department's disposal of its wool was a major element in the disaster of May 1920, although it is possible that too much wool was pushed at the trade in the early months of the year. The crash seems to have been primarily attributable to the general deflation which put an end to the economic period of World War I and to specific events over which the War Department had no control. The War Department had stabilized the industry in early 1919 by tying its price minima to those of the British. The successful auctions which ensued had a favorable effect on the grower's returns from the 1919 clip. By 1920, the Government's holdings were greatly reduced and consisted of grades that would have been a drug on the market, whoever the owner. Although the War Department was anxious to wind up its wool affairs, there is no evidence that its stocks were sold carelessly, or without regard for the industry.

²¹ *Ibid.*, 13-18, 89-90; *Recent Tendencies in the Wool Trade*, 7-11; *National Wool Grower*, March 1920, p. 43, June 1920, p. 26, July 1920, p. 11, October 1920, p. 11-15, November 1920, p. 26-27; [John] B. McP[herson], "Falling Prices in the Wool Market," *NAWM, Bulletin*, 50:305-310 (July 1920), and "Annual Wool Review for 1920," *ibid.*, 51:29-40 (January 1921); *Textile World Journal*, May 15, 1920, p. 26, 45, May 22, 1920, p. 114.

APPENDIX

PRICES OF MERINO AND CROSSBRED WOOL, GREASE BASIS, BOSTON, 1914-21

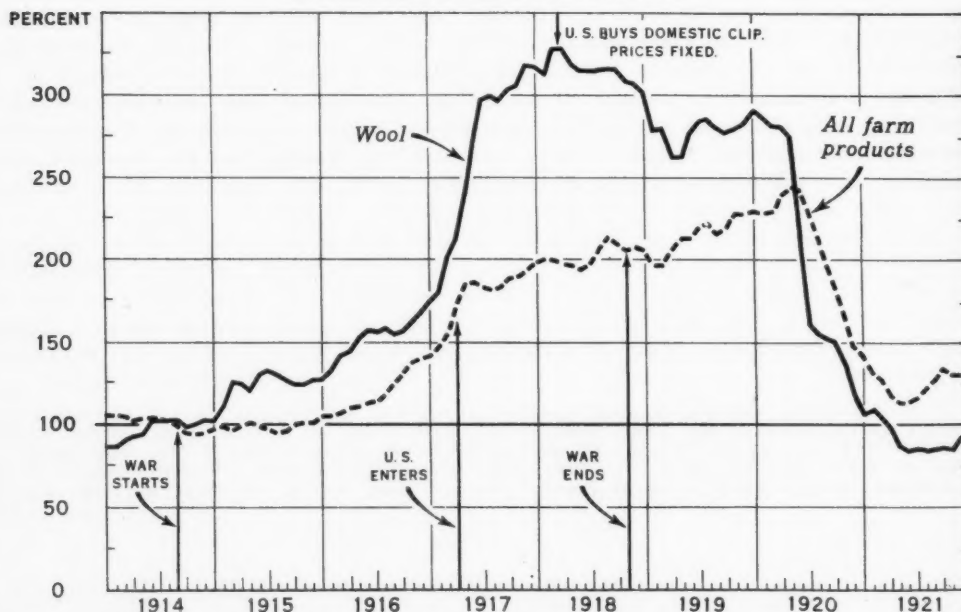


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